Old Capitol Building
PO Box 47200
Olympia, WA 98504-7200

k12.wa.us

Washington Office of Superintendent of
PUBLIC INSTRUCTION
Chris Reykdal, Superintendent

2024–25 School District Accounting Manual Revisions – (240809 Gov Delivery)

Purpose/Background

The purpose of this bulletin is to advise school districts of the revisions and distribution of the *Accounting Manual for Public School Districts in the State of Washington (Accounting Manual)*. The *Accounting Manual* is revised for the 2024–25 school year and the effective date of these revisions is September 1, 2024.

The *Accounting Manual* is distributed electronically; printed copies are not mailed to school districts. The *Accounting Manual* can be accessed on the OSPI website under the School Apportionment and Financial Services (SAFS) webpage and selecting the heading Accounting Manual. The Accounting Manuals are stored by fiscal year. When available, select the 2024–25 tab for the newest edition. The *Accounting Manual* online "print version" is designed 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 Carrie Hert at 360-725-6300, Carrie.Hert@k12.wa.us, or OSPI SAFS, P.O. Box 47200, Olympia, WA 98504.

School District Accounting Advisory Committee

The revisions to the *Accounting Manual* represent the work of the School District Accounting Advisory Committee that, by statute, is advisory to the Office of Superintendent of Public Instruction and the State Auditor's Office. Committee members are representatives of the Washington Association of School Business Officials, the Washington Association of School Administrators, the Washington Association for Career and Technical Education, the Washington School Information Processing Cooperative, the Association of Educational Service Districts, the State Auditor's Office, and Office of Superintendent of Public Instruction. All meetings are open to the public. Committee information including minutes are located on the OSPI website at "Workgroups & Committees".

Information and Assistance

For questions regarding this bulletin, please contact Paul Stone, Supervisor of School District 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 at Accounting Manual.

Note: Boxes surrounding narrative in this bulletin provide a synopsis of the revised accounting guidance.

2024–25 SCHOOL DISTRICT ACCOUNTING MANUAL ADDENDUMS AND REVISIONS

Accounting Manual Introduction – Changes

From Addendum #3 to the 2023–24 School District Accounting Manual:
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 the Introduction Section of the Accounting Manual, beginning on page v: The School District Accounting Advisory Committee is updated.

Current Members of the School District Accounting Advisory Committee (SDAAC) as of July 2024

Washington Association of School Administrators

Jason Williams, Director of Finance	Educational Service District 171

Washington Association of School Business Officials

Alphonso Melton, Executive Director of Business Services	University Place School District
Amanda Sipher, Director of Financial Services	North Thurston School District
Barb Piguet, Assistant Director of Accounting	Auburn School District
David Knechtel, Accounting Manager	Kent School District
Jon Poolman, Director of Fiscal Services	Mukilteo School District
Marci Bannan, Director of Business Services	Orting School District
Mitch Thompson, Executive Director of Finance and Operations	Moses Lake School District
Tara Santucci, Business Manager	Union Gap School District

Large School Districts

Kristy Magyar, Accounting Director	Seattle Public Schools
Cindy Coleman, CPA, Chief Finance and Business Services Officer	Spokane Public Schools

Association of Educational Service Districts

Charles Hole, Assistant Fiscal Officer III	Educational Service District 112
Dustin Kinley, Director Fiscal Services	Educational Service District 105
Lori McLeod, Fiscal Services Supervisor	Educational Service District 189

Washington Association for Career and Technical Education

Mike Christianson, Director, CTE	Bethel School District
Kevin Smith, Director, CTE	Renton School District

At Large Members

Amber Porter, Chief Financial Officer	Oak Harbor School District

Current Members of the School District Accounting Advisory Committee (SDAAC) as of July 2024

Andrew Burgess, Controller	Highline School District
Bang Parkinson, Chief Financial Officer	Sumner–Bonney Lake School District
Holly Burlingame, CSBA	WASBO
Travis Belisle, Fiscal Services Administrator	ESD 123

Washington School Information Processing Cooperative (WSIPC)

Susan Pangilinan-Tiosejo, Senior Systems Analyst

State Auditor's Office

Cheryl Thresher, Audit Manager; School Programs

Ryan Montgomery, Assistant Audit Manager; School Programs

Sara Heath, Assistant Audit Manager; School Programs

Shirley Christiansen, Assistant Audit Manager; School Programs

Office of Superintendent of Public Instruction

Michelle Matakas, Director, School Apportionment and Financial Services;
Committee Chairperson

Lee Wlazlak, Supervisor, School District Budgeting

Mike Sando, Supervisor, School District Financial Reporting

Paul Stone, Supervisor, School District Accounting

CHAPTER 1 – Principles of Accounting — Changes

From Addendum #3 to the 2023–24 School District Accounting Manual:
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.

<u>General Fund (Fund 1)</u>

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.

CHAPTER 2 – Budgeting — No Changes

CHAPTER 3 – Accounting Guidelines — Changes

In Chapter 3, Page 3-6: Time & Effort guidance is modified. Old guidance is deleted and replaced.

Time and Effort Records

Employees assigned to work in support of most federal programs are required to document that work. Recent changes to federal rules now allow districts two options to comply with these time and effort (T&E) reporting requirements. In the previous time and effort bulletin 048-17, Local Educational Agencies (LEAs) followed the old time and effort regulations under Office of Management & Budget's (OMB) Circular A-87.

Starting with the 2024-25 school year, Bulletin 039-24 provides LEAs the option to continue to use the old time and effort guidance (outlined in Bulletin 048-17) or to use the new, more flexible, requirements for time and effort reporting, outlined in the Code of Federal Regulations (CFR) 200.430 *Standards for Documentation of Personnel Expenses* (CFR 200.430(g)). Provided that an LEA's policy and system of internal controls meets each of the requirements outlined in CFR 200.430(i), it may design a process that uses the method, or combination of "old" and "revised" guidance that works best for its organization.

Bulletin 039-24 includes attachments to time and effort examples that meet the standards under the old T&E guidance. They are intended as examples only and should be modified as needed.

In Chapter 3, Page 3-53: The section titled Capitalization Threshold for Leases in modified. Capitalization thresholds are not expected to change frequently.

Capitalization Threshold for Leases

School Districts may establish a lease liability threshold for leases that are insignificant individually and in the aggregate. This threshold defines the dollar amount at which a lease with a maximum possible term of more than one year will be classified as a lease liability. A district may establish a single capitalization threshold for all leases or different capitalization thresholds for different classes of leases, however; the capitalization thresholds are not expected to change frequently from year to year. The threshold should be established at a small enough level such that the leases excluded would be insignificant to financial reporting in aggregate. In establishing a threshold, districts should consider the different types and groups of leases they have, and management information needs.

Chapter 3 on page 3-56: The Compensated Absences guidance is updated with GASB Statement No. 101.

Compensated Absences

Compensated absences are paid employee benefits, such as vacation leave, sick leave, and other leave with similar characteristics. Districts are required to accrue a liability in the governmental funds for compensated absences when the criteria are met.

For governmental and permanent funds, the value of compensated absences recognized as expenditures should be the amount that normally would be liquidated with expendable available financial resources. For the portion of compensated absences used but not yet paid as of fiscal year end, a liability may be reported as salaries and benefits payable. To be clear, the amounts reported in the governmental fund financial statements are already known amounts that have come due as of August 31; the current portion does not need to be estimated. Compensated absences expenditures and liabilities, reported in governmental fund financial statements, should be recognized using the modified accrual basis of accounting. Cash basis districts would be expected to report all compensated absence liabilities on the Schedule of Long-Term Liabilities.

For leave that has not been used and leave that has been used but not yet paid, the compensated absences liability should be measured using the pay or salary rates in effect at the balance sheet date. Certain salary-related payments directly and incrementally associated with the payment of compensated absences, for example, the employer's share of social security and Medicare taxes, should also be accrued.

The liability for unused sick leave is treated differently. If it is more likely than not that some of the sick leave benefits will be paid out to eligible employees upon termination, the employee benefit is converted to a different rate. Subject to board policy, employees may be compensated for a portion of their sick leave when they die, terminate employment under certain circumstances, or retire. In those cases, employees earn the right to be partially compensated for unused sick leave at termination (RCW 28A.400.210, WAC 392-136-020).

A liability for compensated absences should also be calculated and reported on the Schedule of Long-Term Liabilities. A complete explanation of the method of calculating this amount can be found in Appendix B – Additional Accounting Guidance.

In Chapter 3, Page 3-65: The section titled “Interfund Reimbursement” is modified to clarify guidance.

Interfund Reimbursements

Interfund reimbursements are transactions to correctly account for revenues and expenditures in the authorized fund from the fund that initially recorded the deposits or disbursements. These transactions can be accomplished with payments between funds or by adjusting journal entries. Interfund reimbursements are **not** Interfund transfers. Interfund reimbursements are treated as adjustments and **not** reported in the financial statements.

Interfund reimbursements are described as:

- Payments from a fund responsible for expenditures to the fund that initially recorded the expenditures.
- Payments from a fund receiving deposits to the fund the resources were authorized to be deposited into.

A transaction would be reported as a reimbursement when:

- An accounting error is made (e.g., moneys were deposited or an expenditure was charged to an incorrect fund).
    - When a revenue, intended for deposit in one fund (Fund A), is incorrectly deposited into another fund (Fund B). Fund B reverses the deposit by reimbursing fund A. Fund B reimburses Fund A by debiting the revenue account. Fund A records the moneys received as a credit to revenue from the original source.
    - When an expenditure is made from one fund (Fund A) on behalf of another fund (Fund B), Fund B records the costs by debiting an expenditure account and reimburses Fund A. Fund A makes a credit adjustment to the original expenditure account.

- When a single fund, usually the general fund, pays an invoice or the payroll for another fund (i.e., as a convenience). The interfund reimbursement is as described above to move the costs to the appropriate fund.

CHAPTER 4 – General Ledger Accounts — No Changes

CHAPTER 5 – Revenues and Other Financing Sources — Changes

In Chapter 5, beginning on page 5-21: The E-Rate Program is no longer designated as a local resource and Revenue Code 2910 is being deleted.

~~***2910 E-Rate*** Applicable Fund: (GFL, CPF)~~

~~Record revenue from the Universal Service Fund discounts for telecommunications, internet access, and internal connections.~~

In Chapter 5, beginning on page 5-29: The coding notes for federal revenues beginning 62 and 63 are modified slightly. Coding notes are made consistent in all applicable revenue codes.

Coding Notes:
- Revenues beginning with **61** are federal revenues that come through OSPI.
- Revenues beginning with **62** are federal revenues received directly from a federal agency.
- Revenues beginning with **63** are federal revenues received through an agency other than OSPI.

From Addendum #3 to the 2023–24 School District Accounting Manual:
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.

<u>Sub-Fund Accounting in the General Fund</u>

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 Chapter 5, on page 5-25: The guidance describing School-Based Healthcare Services (SBHS) is expanded to clarify accounting and reporting.

4321 Special Education
Applicable Fund: (GFS)

Record revenue paid from other agencies for programs that provide for the education of students with disabilities, including preschool. Also include revenues for home hospital per WAC 392-172A-02100. Also record the state portion of Medicaid reimbursement for medical services and self-billing and other administrative fees distributed through other entities, such as DSHS. Districts that receive School-Based Healthcare Services (SBHS) reimbursements from the state Health Care Authority (HCA) should record the state portion of those reimbursements in this account.

For SBHS provided on and after 7/1/2022, eligible claims will automatically pay on a weekly basis. The remittance advice does not show the breakdown of Federal and State funds. The current SBHS Medical reimbursement breakdown for services provided on and after May 11, 2023, is: Federal: 50.0%; State: 50.0%. Reimbursement breakdown percentages are subject to change by the HCA. Review revenue code 6321 for guidance on the federal portion.

In Chapter 5, beginning on page 5-29: A new Revenue Code is added to the Chart of Accounts for qualified energy program's federal tax credits.

5700 Qualified Energy Investment Tax Credits

Applicable Fund: (GFL, DSF, CPF, TVF)

Record payments received from the Treasury Department and or the Internal Revenue Service that are refundable tax credits paid on certain qualified energy programs attributable to the district.

The Inflation Reduction Act (IRA) tax credits create opportunities for K-12 school districts to leverage federal resources to help to fund investments in clean energy infrastructure and reduce energy costs.

Ref: Clean Energy Bill, Final Regulations: 2024-04604

In Chapter 5, Page 5-41: From Addendum #2, E-Rate guidance. Narrative information from the addendum is added to Revenue Code 6210 to memorialize accounting guidance.

6210 E-Rate—Federal

Applicable Fund: (GFS, CPF)

Record resources awarded by the FCC for the Universal Service Fund – Schools and Libraries, Assistance Listing Number 32.004. E-Rate is administered through the Universal Service Administration Company (USAC). The (USAC) administers all of FCC's Universal Service Fund programs. Per SAM.gov, this program is considered a direct award from FCC and school districts are considered direct recipients.

E-Rate will not be subject to single audits and expenditures are not reported on the SEFA. However, E-rate is a federal resource and there are a limited number of subsections of 2CFR § 200 which districts will need to consider; specifically:

- 2 CFR § 200.203 - Requirement to provide public notice of Federal financial assistance programs.
- 2 CFR § 200.303 - Internal controls; and
- 2 CFR §§ 200.331-333 - Subrecipient Monitoring and Management.

The following 2CFR policy requirements are excluded from coverage under E-Rate:

- Subpart E, Cost Principles
- Subpart F, Audit Requirements

The resources are provided for discounts for telecommunications, internet access, and internal connections. School districts that receive E-Rate funding commitments are direct recipients of a federal award regardless of whether the district chooses to receive:

- A direct reimbursement against the commitment; or
- Has its service provider seek reimbursement on the district's behalf.

In Chapter 5, beginning on page 5-54: The guidance describing School-Based Healthcare Services (SBHS) is expanded to clarify accounting and reporting under the resource code.

6321 Special Education—Medicaid Reimbursements

Applicable Fund: (GFS)

Record federal Medicaid reimbursements for medical services and self-billing and other administrative fees distributed through other entities, such as DSHS. Districts that receive School-Based Healthcare Services (SBHS) reimbursements from the state Health Care Authority (HCA) should record the federal portion of those reimbursements in this account. Use revenue code 4321 to record the reimbursement of the state portion.

For SBHS provided on and after 7/1/2022, eligible claims will automatically pay on a weekly basis. The remittance advice does not show the breakdown of Federal and State funds. The current SBHS Medical reimbursement breakdown for services provided on and after May 11, 2023, is: Federal: 50.0%; State: 50.0%. Reimbursement breakdown percentages are subject to change by HCA.

Medicaid reimbursements received from HCA for services provided to Medicaid-eligible Special Education students are considered patient care services and are not subject to audit under Uniform Guidance. School districts do not report the Federal funds they receive through the SBHS Program (Medicaid reimbursement for IEP/IFSP services) on the SEFA. This is consistent with language in 29 CFR 99.205: *Medicaid payments to a subrecipient for providing patient care services to Medicaid eligible individuals are not considered Federal awards expended under this part.*

In Chapter 5, beginning on page 5-70: Guidance describing Assistance Listing Numbers (ALN) reporting is modified when the program has no identifying ALN.

Reporting Federal Assistance Listing Numbers (ALN)

If a program has no identifying number, the first two digits of the assigned two-digit agency number should be used to indicate the federal agency that provided the award. After these digits a period should be placed and “U01” is written. Refer to the SEFA Instructions on the ABFR webpage for additional guidance.

Chapter 6 – General Fund Expenditure Accounts — Changes

From Addendum #3 to the 2023–24 School District Accounting Manual:
In the Accounting Manual Chapter 6, beginning on page 6-2: 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.

In Chapter 6, page 6-64: A new Object of Expenditure Code is created for Motor Vehicle Electricity.

5622 Motor Vehicle Electricity

Expenditures for electricity supplied to charge electric powered vehicles and buses.

Chapter 7 – General Journal Entries — Changes

In Chapter 7, Pages 7-22 & 7-23: Time & Effort guidance is modified. Old guidance is deleted and replaced.

Time and Effort Adjustments

Employee salaries and wages may be assigned to federal grants before the services are performed based on budget or other estimated distribution percentages. The method used to establish the estimates should produce reasonable approximations of the actual employee time distributions. Estimates alone do not qualify for and may not be used in lieu of T&E reports. 2 CFR 200.430(i)(1)(vii).

Districts must compare actual costs based on T&E reports to the estimates used for coding payroll expenditures. This reconciliation must occur timely and be documented. We recommend the reconciliation be done quarterly, but if you have other internal controls in place to ensure adjustments are timely, you can perform reconciliations less frequently. During the reconciliation process, variances should be adjusted to actual, but at a minimum, adjustment to actual must occur at year end.

At the end of the fiscal year, differences higher than 5% must be adjusted so the final payroll and accounting records reflect costs of the actual time worked as reported by staff for each federal cost objective for the year. Individual employee variances may be aggregated for each federal award.

The following examples display the calculation for first and second quarter time and effort.

1st Quarter	Amount paid to date (budgeted)	Budgeted Percentage	Actual as worked to date (Per Time and Effort)	Actual Percentage	Difference at Object Level
01-21-2	10,830.27		11,263.48		-433.21
01-21-4	3,678.42		3,825.56		-147.14
Total 01	14,508.69	50%	15,089.04	52%	-580.35
51-21-2	10,830.27		10,397.06		433.21
51-21-4	3,678.42		3,531.28		147.14
Total 51	**14,508.69**	50%	**13,928.34**	48%	580.35
Totals	29,017.38		29,017.38		0.00

In the first quarter example, no adjustment is required since the amount Title I was overcharged was 4.17% ($14,508.69 versus $13,928.34). This is less than 5% percent of the cost.

2nd Quarter	Amount paid to date (budgeted)	Budgeted Percentage	Actual as worked to date (Per Time and Effort)	Actual Percentage	Difference at Object Level
01-21-2	21,660.54		24,259.80		-2,599.26
01-21-4	7,356.84		8,239.66		-882.82
Total 01	29,017.38	50%	32,499.47	56%	-3,482.09
51-21-2	21,660.54		19,061.28		2,599.26
51-21-4	7,356.84		6,474.02		882.82
Total 51	**29,017.38**	50%	**25,535.29**	44%	3,482.09
Totals	58,034.76		58,034.76		0.00

In the second quarter example, a cumulative adjustment is required since Title I was overcharged by 13.64% ($29,017.38 versus $25,535.29). This is greater than 5% of the program budgeted or charged.

General Ledger Account	Subsidiary Ledger Required	Account Title	Debit	Credit
530	01-21-2	Basic Education, Supervision, Certificated Salary	2,599.26	
530	01-21-4	Basic Education, Supervision, Employee Benefits & Taxes	882.82	
530	51-21-2	Title I, Supervision, Certificated Salary		2,599.26
530	51-21-4	Title I, Supervision, Benefits & Taxes		882.82

From Addendum #2 to the 2023–24 School District Accounting Manual:
In Chapter 7, beginning on page 7-51: Additional AJEs are created illustrating modified accrual accounting for Conditional Sales Contracts or Long-Term Notes.

Modified Accrual Entries for Contractual Obligations in the General Fund

For school districts using modified accrual accounting, the initial recognition of a contractual obligation in the General Fund is reported at its present value in Activity 85 – Debt-Related Expenditures. Because the General Fund's debt obligation is the responsibility of district administration, the Capital Outlay should be reported in Program 97 – Districtwide Support.

The journal entries illustrated below use the same situational examples as those used in the leases journal entries, beginning on page 7-46.

To Record the acquisition of equipment with a contractual obligation in the General Fund:

General Ledger Account	Subsidiary Ledger Required	Account Title	Debit	Credit
530	97-85-973X	Debt Service Expenditures	55,791	
965	9500	Other Financing Sources		55,791
To record the acquisition of capital assets using a conditional sales contract or a long-term non-voted note. The present value amount is recorded as a capital outlay expenditure in Activity 85 for the item acquired; and the $55,791 is recorded to Account 9500, Other Financing Sources.				

As the district makes periodic payments to pay down the debt, the principal and interest payments are recorded in Activities 83 and 84 respectively.

General Ledger Account	Subsidiary Ledger Required	Account Title	Debit	Credit
530	97-83-7832	Periodic Interest Payment	114	
530	97-84-7831	Periodic Reduction of Principal	886	
241		Warrants Outstanding		1,000
To record the periodic expenditures for the contractual obligation. Principal and Interest payments are recorded in Activities 83 and 84.				

Districts can transfer the cost of the capital equipment to the Program responsible for budgeting for the cost of its use. This is done though the Debit/Credit transfer process.

To Record the periodic usage fee to the Program utilizing the equipment. This Debit/Credit transfer shifts the cost of the contractual obligation to the Program responsible for the acquisition of the equipment. The Program would be obligated to budget for the costs.

General Ledger Account	Subsidiary Ledger Required	Account Title	Debit	Credit
530	PP-AA-0XXX	Debit Transfer – Periodic Usage Fee – Charged to Program	1,000	
530	97-85-1XXX	Credit Transfer – Periodic Usage Fee – A Credit for Debt Service		1,000
This is a Debit/Credit Transfer to charge the Program responsible for the acquisition of the asset. The Program is held responsible to budget for the costs. This transaction moves the periodic costs from Activity 85 to the Program as a "service or usage fee" charge.				

In Chapter 7, on page 7-59: The Special Education Medicaid Reimbursement guidance is removed from Chapter 7 and moved to Chapter 5 under Revenue Code 6321.

~~SPECIAL EDUCATION MEDICAID REIMBURSEMENT ENTRIES~~

~~For School-Based Health Care Services (SBHS) provided on and after 7/1/2022, eligible SBHS claims will automatically pay on a weekly basis. The remittance advice does not show the breakdown of Federal and State funds and, therefore, the breakdown has been provided below.~~ ~~*For dates of service July 1, 2022, through May 10, 2023, the Federal and State breakdown for SBHS Medicaid reimbursements was:*~~

- ~~Federal: 56.2% State: 43.8%~~

~~This percentage breakdown was due to the federal public health emergency (PHE). The federal PHE ended on May 10, 2023, and, as a result, the current SBHS Medical reimbursement breakdown for services provided on and after May 11, 2023, is:~~

- ~~Federal: 50.0% State: 50.0%~~

~~Medicaid reimbursements received from HCA for services provided to Medicaid-eligible Special Education students are considered patient care services and are not subject to audit under Uniform Guidance. School districts do not report the Federal funds they receive through the SBHS Program (Medicaid reimbursement for IEP/IFSP services) on the SEFA. This is consistent with language in 29 CFR 99.205:~~ ~~*Medicaid payments to a subrecipient for providing patient care services to Medicaid eligible individuals are not considered Federal awards expended under this part.*~~

Chapter 8 – Financial Reporting — No Changes

Chapter 9 – Federal Grants Management — Changes

In Chapter 9, on page 9-20: Davis Bacon Act guidance is added to Federal Procurement Thresholds guidance.

Davis Bacon Act

For construction contracts $2,000 or more, all laborers and mechanics employed by contractors or subcontractors must be paid the higher of the state or federal prevailing wage rates as required by the Department of Labor (DOL) (40 USC 3141–3144, 3146, and 3147). Federal prevailing wage language must be included in the contract and the LEA must receive weekly certified payrolls from the contractor and any subcontractors to ensure compliance.

In Chapter 9, Page 9-22: Time & Effort guidance is modified. Old guidance is deleted and replaced.

Time and Effort

The Uniform Grant Guidance offers new flexibilities for time and effort tracking in an effort to reduce burden. In the previous time and effort bulletin Bulletin 048-17, Local Educational Agencies (LEAs) followed time and effort regulations under Office of Management & Budget's (OMB) Circular A-87.

Bulletin 039-24 provides LEAs the option, starting with the 2024-25 school year, to continue to use the old time and effort guidance (outlined in Bulletin 048-17) or to use the new, more flexible, requirements for time and effort reporting, outlined in the Code of Federal Regulations (CFR) 200.430 *Standards for Documentation of Personnel Expenses* (CFR 200.430(g)). As long as an LEA's policy and system of internal controls meets each of the requirements outlined in CFR 200.430(i), it may design a process that uses the method, or combination of "old" and "revised" guidance that works best for its organization.

Bulletin 039-24 includes attachments to time and effort examples that meet the standards under the old T&E guidance. They are intended as examples only and should be modified as needed.

Chapter 10 – Capital Projects Fund and Transportation Vehicle Fund Accounting — No Changes

Chapter 11 – Debt Service Fund Accounting — No Changes

Chapter 12 – Associated Student Body (ASB) Fund Accounting — No Changes

Chapter 13 – Fiduciary Activity — Changes

In Chapter 13, on page 13-6: The guidance for Foundations accounting was modified to include Revenue Code 8200 as an applicable source code.

Foundations

A distinction should also be made between the trust funds as described here and foundations. School districts are not authorized to set up foundations; however, districts are in many cases the beneficiaries of foundations. Districts should be careful not to become directly involved in the formation and administration of foundations.

Donations from foundations may be recorded in General Fund Revenue Account 2500 Gifts, Grants, and Donations; or Revenue 8200 Private Foundations, or may be set up in the trust funds, as appropriate.

Appendix A – Program Expenditure Matrices — Changes

In Appendix A, on pages A-12 and A-13: The Program Expenditure Matrices for CTE Programs 31 and 34 are modified to include Activities 23, 26, and 72.

PROGRAM 31—VOCATIONAL—BASIC—STATE

OBJECTS OF EXPENDITURE

		Debit Transfer	Credit Transfer	Cert. Salaries	Class. Salaries	Employee Benefits	Supplies, Inst Mat'ls Noncap	Purchased Services	Travel	Capital Outlay
ACTIVITY	Total	(0)	(1)	(2)	(3)	(4)	(5)	(7)	(8)	(9)
21 Supervision										
22 Learning Resources										
23 Principal's Office										
24 Guidance and Counseling										
25 Pupil Management										
26 Health and Related Services										
27 Teaching										
28 Extracurricular										
29 Payments to School Districts										
31 Instructional Professional Development										
32 Instructional Technology										
33 Curriculum										
34 Professional Learning—State										
35 Pupil Safety										
72 Information Systems										
TOTALS										

PROGRAM 34—MIDDLE SCHOOL CAREER AND TECHNICAL EDUCATION—STATE

OBJECTS OF EXPENDITURE

		Debit Transfer	Credit Transfer	Cert. Salaries	Class. Salaries	Employee Benefits	Supplies, Inst Mat'ls Noncap	Purchased Services	Travel	Capital Outlay
ACTIVITY	Total	(0)	(1)	(2)	(3)	(4)	(5)	(7)	(8)	(9)
21 Supervision										
22 Learning Resources										
23 Principal's Office										
24 Guidance and Counseling										
25 Pupil Management										

PROGRAM 34—MIDDLE SCHOOL CAREER AND TECHNICAL EDUCATION—STATE

OBJECTS OF EXPENDITURE

26	Health and Related Services										
27	Teaching										
28	Extracurricular										
29	Payments to School Districts										
31	Instructional Professional Development										
32	Instructional Technology										
33	Curriculum										
34	Professional Learning—State										
35	Pupil Safety										
72	Information Systems										
	TOTALS										

Appendix B – Additional Accounting Guidance — Changes

In Appendix B, on pages B-18 and B-19: The Food Service Program guidance for Carryover of Program Loss is modified.

Carryover of Program Loss

Most districts in Washington run school food service accounts (FSAs) that do not generate excess program income, or their total Program 98 expenditures exceed their total XX98 revenues. In such a situation, the assumption is that the district is using other non-federal resources to cover the operating deficit of the food service program, whether it is local levy dollars, general apportionment money, or any non-restricted source of money. The district's General Fund may be "loaning" the food service program the additional resources necessary to provide a school meal program to the students.

Unlike the situation where a district has recorded net program income, there is nothing to record when the district runs a food service deficit. When the food service account (FSA) is running a deficit, the FSA was "loaned" money from the rest of the district's General Fund to cover the FSA's operating costs. A loan would generally be considered an "interfund transaction", i.e. a "due from" the FSA and a "due to" the General Fund). This transaction could only be recognized if the FSA was a separate fund. Because the food service program is embedded in the General Fund, this interfund transaction cannot be recognized in the district's financial statements.

To track a food service deficit balance, a separate food service supplemental report has been developed. On the report, the district's current balance of deficit carryover is displayed. This deficit is evidence of the district's use of other non-federal resources, loaned to the FSA, for continued operations. The deficit carryover is limited to a cap of the amount of the annual deficit calculated for each of the previous five years. Put another way, any individual deficit amount can be carried over (as a part of the aggregate) up to a maximum of five years. After that time period, it no longer is displayed on reports.

In Appendix B, beginning on page B-21: The Compensated Absences guidance is updated with GASB Statement No. 101.

COMPENSATED ABSENCES

Introduction

GASB Statement No. 101, Compensated Absences, provides specific guidance on how this liability should be calculated. This Appendix B guidance does not deal with whether the compensated absences liability should be reported in governmental funds. Rather, this guidance applies only to compensated absences liabilities reported on the Schedule of Long-Term Liabilities for cash-basis and modified accrual-basis Local Educational Agencies (LEAs). Guidance for vacation leave and sick leave is provided.

A compensated absence is leave for which employees may receive one or more:

- Cash payments when the leave is used for time off,
- Other cash payments, such as payment for unused leave upon termination of employment; or
- Noncash settlements, such as conversion to defined benefit postemployment benefits. The payment or settlement could occur during employment or upon termination of employment.

A liability for compensated absences is reported for leave that has not been used if it meets the following general criteria:

- Attributable to services already rendered,
- Accumulates
- More likely than not (greater than 50% likelihood) the leave will be used for time off or otherwise paid in cash or settled through noncash means.

Compensated absences generally do not have a set payment schedule. Examples of compensated absences include:

- Vacation (or annual) leave,
- Sick leave,
- Paid time off (PTO),
- Holidays,
- Parental leave,
- Bereavement leave and
- Certain types of sabbatical leave.

Examples of leave that does not accumulate and **would not** be included in liability calculations:

- Vacation, sick leave, or PTO that does not roll over each year,
- Unlimited leave
- Future holiday pay taken on <u>specific</u> days (ex. Christmas)
- Paid absences dependent upon the occurrence of a sporadic event (ex. parental, military, jury duty, bereavement) unless leave has commenced.
- FMLA
- PFMLA unless self-insured (otherwise paid by state) and leave has commenced.

Termination benefits (GASB 47) are addressed in separate guidance and are not included in compensated absences calculations. Examples of termination benefits include early-retirement incentives and severance pay.

Leave That Has Not Been Used

Districts are required to report a liability for vacation leave, sick leave, and other leave with similar characteristics earned by employees when the criteria are met.

Vacation leave liability should be valued using current salary rates in effect at the balance sheet date (that is, pay rates in effect as of fiscal year-end). However, if it is more likely than not that some leave will be paid at a different rate, use that rate to measure that portion of the liability. For example, vacation leave is paid at 50% of the employee's pay rate upon termination.

The liability for vacation leave should include nonvested leave earned by employees that are expected (more likely than not) to vest. For example, assume new employees earn one day of vacation leave per month, but may not take any leave prior to completing a six-month probationary period. Further, assume that employees not completing the probationary period forfeit any leave earned during that period. The district would then accrue leave earned by new employees to the extent those employees are expected to successfully complete the probationary period. Conversely, the liability for vacation leave should <u>not</u> include accumulated amounts expected to lapse.

The liability for unused sick leave that meets the criteria should be valued using current salary rates in effect at the balance sheet date (that is, pay rates in effect as of fiscal year-end). However, if it is more likely than not that some sick leave will be paid out to eligible employees upon termination and the employee benefit is converted to a different rate, use that rate to measure that portion of the liability. For example, sick leave is converted to 25% of the employee's earned benefit upon termination.

Districts should evaluate whether sick leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means by assessing relevant factors, including:

- The district's employment policies related to compensated absences,
- Whether leave that has been earned is, or will become, eligible for use or payment in the future,
- Historical information about the use, payment, or forfeiture of compensated absences
- Information known to the district that would indicate that historical information may not be representative of future trends or patterns.

Refer to GASBS 101, Illustration 1, for examples of the application of the recognition criteria for different leave policies.

Leave That Has Been Used but Not Paid

There could also be situations when districts will need to calculate amounts for "leave that has been used, but not paid" (and is NOT expected to be paid with current resources). This would be reported only on the Schedule of Long-Term Liabilities. Leave that has been used, but not paid, should be calculated at exact hours taken and the pay rate in which those hours will be settled plus any salary-related payments. The segregation of the current portion versus the long-term portion is only applicable to districts using modified accrual accounting. Cash basis districts would be expected to report all compensated absence liabilities on the Schedule of Long-Term Liabilities.

Salary-Related Payments

The compensated absence liability should also reflect any salary-related payments **directly and incrementally** connected with leave payments to employees. The portion of the liability that is for salary-related payments should be measured using the rates in effect as of the date of the financial statements.

Include the following:

- Payroll taxes, employer share of Social Security and Medicare taxes (FICA)
- Health saving accounts (HSAs), flexible spending accounts (FSAs)
- Defined "**contribution"** pension and OPEB contributions.

Exclude the following:

- Defined "**benefit"** pension/OPEB contributions (**DRS plans**)
- Employer healthcare contributions, life insurance premiums and health care premiums paid on behalf of employees

Refer to GASB 101 Illustration 2 for examples of salary related payments that may be applicable.

Appendix C – Reference Materials — No Changes

For questions regarding this GovDelivery notice, please contact Paul Stone, Supervisor of School District and ESD Accounting at paul.stone@k12.wa.us.