

# School District Accounting Advisory Committee

Review topics and prepare for changes to the  
2025–26 School District Accounting Manual

January 15, 2025



Washington Office of Superintendent of  
**PUBLIC INSTRUCTION**

# Today's Agenda

1. Compensated Absences – Review December 12 Subcommittee Discussion
2. Compensated Absences — FAQ
3. Page 3-17: Warrants: Review proposed modification
4. Page 3-18: Warrant Cancellation and Unclaimed Property: Review Proposed Changes
5. Page 3-65: Crediting Investment Earnings: No Changes
6. Page 10-20: Vehicles: Review Proposed Changes
7. Pages 4-27 & 4-37: Minor edit to GL titles



# Today's Agenda

8. Pages 8-9 & 9-22: Federal Audit Threshold Changes
9. Appendix B, Page B-7: ASB Transportation: Review Proposed Changes
10. Multiple Sections: Capitalization Threshold Increase from \$5,000 to \$10,000: Review Proposed Changes
11. Page 8-4: Assessing Financial Condition: Review Propose Changes
12. Revenue 2800 & Revenue 9400 — Changing the Account Code Titles and Modifying Guidance
13. F-196 Modification to Private Purpose Trusts — Adding Scholarships



# Estimating the Liability for Compensated Absences (GASB 101)

- Sub-Committee met on December 12
- David Knechtel (Kent); Becky Thomas (Everett); Cindy Coleman (Spokane); Mitch Thompson (Moses Lake); Marci Bannan (Orting); Kristy Magyar (Seattle); Ryan Montgomery (SAO); Paul Stone (OSPI).



# New Compensated Absences Guidance

- To calculate the liability, several estimates, and calculations must be made.
- When completed, the total compensated absence liability amount is reported in the F-196 on the Schedule of Long-Term Liabilities.
- The net change in the liability should be reported as either an increase or decrease.



# New Compensated Absences Guidance

- In the year of implementation, **the beginning balance** for Compensated Absences reported on the schedule of liabilities **will need to be recalculated** using the new GASB 101 criteria.
- This is considered a **“change in accounting principle”** and will need to be disclosed in the Notes to the Financial Statements.
- Change in accounting principles are reported retroactively.



# New Compensated Absences Guidance

- Districts will also need to figure out the portion of the liability to report in the “due within one year” column of the Schedule of Liabilities.
- This would be the amount of the total liability that the district estimates will be due within one year.



# New Compensated Absences Guidance

- Districts may create their own process to estimate the liability, but any methodology should include a historical analysis of past sick leave practices and estimates that use a “more likely than not” (50% or more) threshold to classify data.
- **Retaining documentation of your process is required.**
  - How you calculated the estimates
  - Information/data sources used to develop estimates
- This will be critical for audit purposes.





# Estimating the Liability for Compensated Absences (GASB 101)

- We still need a worksheet template to estimate the Liability.
- I created a “template” and Ryan is looking at it.
- It is a very rough worksheet with a very broad design.
- It needs to be reviewed by the business community.
- It is an analysis of historical data and assigns percentages to variables.
- Uses the variable percentages to calculate the estimate.



# Compensated Absences: FAQ

- No Frequently Asked Questions so far.
- Probably will not have questions until we have a presentation on the topic.
- Maybe build FAQ section into Appendix B?



# Warrants: SDAM Chapter 3, Page 17

- [HB 1419](#) modified County Treasurers' duties regarding registered warrants.
- Changing RCW reference
  - From RCW 36.29.010 through 36.29.060.
  - To RCW 36.29.010 through 36.29.020
- Proposing adding additional guidance — next slide



# Warrants: SDAM Chapter 3, Page 17

- New SDAM guidance under “county treasurer duties”
- May, in cases where there are insufficient funds for the redemption of warrants issued by the school district, contract with the school district for a mutually agreed upon period of time, to cover such insufficient funds prior to the issuance of said warrants.
- In each instance, the school district shall not issue additional warrants against funds where a contract is in place with the county treasurer without first contacting the county treasurer and, if necessary, renegotiating a contract to cover such additional funding as may be mutually agreed to (RCW 36.29.010(d)).



# Warrant Cancellation and Unclaimed Property: SDAM Chapter 3, Page 18

- Legal references in the Chapter section are updated.
- Moved guidance around within the section.
- Added additional content:
- School districts are required to report unclaimed property to the Department of Revenue before November 1st each year. **The report must identify the property and owner in the manner provided in statute ([RCW 63.30.220](#) through [63.30.260](#)).**



# Warrant Cancellation and Unclaimed Property: SDAM Chapter 3, Page 18

- A contradiction in guidance: (Do we change “must” to “may” in #1?)
  1. Abandoned deposits on account **must be** paid or delivered to the Department of Revenue in accordance with their guidelines.
  2. Although reporting is mandatory, school districts have the **option of remitting** unclaimed warrants to the Department of Revenue **or retaining** it at the school district (RCW 63.30.270).



# Crediting Investment Earnings: SDAM Chapter 3, Page 65

## No change to the Accounting Manual guidance

- I am not going to create language explaining the difference between
  - “crediting investment earnings to another fund” from
  - “transferring interest earnings previously deposited”.



# Vehicles Charged to the CPF: SDAM Chapter 10, Page 20

- The law allowing vehicles to be charged to the CPF is expired.
- *For the 2021–2023 fiscal biennium, RCW 28A.320.330(2)(h) supersedes RCW 28A.320.330(2)(e) which states: Vehicles shall not be purchased with capital projects fund money.*
- **Proposal:** Remove expired guidance from the Accounting Manual.
- Assuming the legislature does not modify the fiscal biennium in the RCW (again).





# Vehicles Charged to the CPF: SDAM Chapter 10, Page 20

- Modified guidance
- Vehicles are not to be purchased with Capital Projects Fund money (RCW 28A.320.330(2)(e)). Pupil transportation vehicles are charged to the Transportation Vehicle Fund. All other vehicles are charged to the General Fund.



# Minor Edit to GL Accounts 620 and 755

## Chapter 4, Pages 4-27 & 4-37

- The GL Accounts are open to the ASB Fund

### **620\* ▲ *Leases Payable—Current***

- Applicable Fund: (GF, **ASB**, CPF, TVF, PF, PPTF)

### **755\* ▲ *Unavailable Revenue—Leases***

- Applicable Fund: (GF, **ASB**, CPF, TVF, PF, PPTF)



# Federal Audit Threshold Increases

- The federal threshold is increasing to \$1 million for audits of **fiscal years beginning after 10/1/2024.**
- No early implementation is allowed.
- This will not be effective until audits of school year 2025-2026 (fiscal year end 2026).
- New thresholds added to 2025-26 Accounting Manual
- And the 2025-26 SEFA Instructions (October 2026).



# Minor Edit to Federal Audit Threshold

## Chapters 8 & 9, Pages 8-9 & 9-22

### Chapter 8, Page 8-9:

- Single audits are required if the district spends at least **\$1,000,000** ~~750,000~~ in total federal financial assistance annually.

### Chapter 9, Page 9-22:

- Grantees that expend **\$1,000,000** ~~750,000~~ or more in a year in total federal awards are required to have a single audit. Grantees that expend less than **\$1,000,000** ~~750,000~~ in federal awards are exempt from federal audit requirements that year, but...



# Transportation Services Provided and Used

- In Appendix B, at page B-7, Non-To-and-From Transportation guidance for ASB activities incorrectly describes these transactions as "*expenditure reimbursements*".
- Program 99 transportation services provided to other programs, funds, or governments should be classified as "services provided and used".
- Non-applicable guidance should be removed.



# Transportation Provided and Used

## Appendix B, Page B-7

### **ASB Transportation**

- A significant portion of the non-to-and-from transportation costs relate to Associated Student Body (ASB) activities such as sporting events. **Non to-and-from transportation costs related ASB activities are described as services provided by Program 99 and used by the ASB.** These costs should be removed from Program 99 using the calculation on either the Long-Form or Short-Form.



# Transportation Provided and Used

## Appendix B, Page B-7

- An **adjusting entry should be created** to move the costs out from Program 99 using the debit-credit transfer process into another program such as **Program 89**. An invoice would be generated **by the general fund**, which would be paid for by the ASB fund. The money would be deposited into the district's general fund **and reported as Revenue 2289**. This results in both funds showing the costs at the end of the year.



# Change to Uniform Guidance §200.439 Equipment and other Capital Expenditures

- The capitalization threshold in the Uniform Guidance ([§200.439](#)) has changed from \$5,000 to \$10,000 for assets acquired **on or after October 1, 2024**.
- This modifies Accounting Manual guidance in multiple Chapters

## **Chapter 3, Page 3-29:**

- Asset purchased with federal funds costing **\$10,000** ~~\$5,000~~ or more must be capitalized.





# Change to Uniform Guidance §200.439 Equipment and other Capital Expenditures

## Chapter 6, Page 6-64:

- The items must have a useful life of less than one year or have an acquisition cost that is less than **\$10,000** ~~\$5,000~~ *or the minimum capitalization value established by the school district*. Refer to the district's capital assets policy for the criteria for distinguishing between a supply item and an equipment item.



# Change to Uniform Guidance §200.439 Equipment and other Capital Expenditures

## Chapter 6, Page 6-81:

- Equipment is defined as a nonexpendable, tangible item of personal property having a useful life of more than one year and an acquisition cost *which is the lesser of the capitalization policy established by the school district or ~~\$5,000~~ \$10,000*.



# Change to Uniform Guidance §200.439 Equipment and other Capital Expenditures

## Chapter 9, Page 9-10:

### **Equipment**

- Equipment means tangible nonexpendable property, including exempt property, charged directly to the award having a useful life of more than one year and an acquisition cost of **\$10,000** ~~\$5,000~~ or more per unit. *However, lower limits may be established in a district's policy.*



# Change to Uniform Guidance §200.439 Equipment and other Capital Expenditures

## Chapter 9, Page 9-11:

- The rules for disposing of equipment purchased with federal money are as follows:
- If the per-unit market price of the equipment is less than ~~\$5,000~~ **\$10,000**, it may be retained, sold or otherwise disposed of without any further obligation to the awarding agency.
- If the per-unit market price of the equipment is greater than ~~\$5,000~~ **\$10,000**, ....



# Change to Uniform Guidance §200.439 Equipment and other Capital Expenditures

## Chapter 10, Page 10-18:

Capitalize equipment is defined as:

- A useful life of more than one year and a per-unit acquisition cost which equals or exceeds *the lesser of the capitalization level established by the district; or \$10,000* ~~\$5,000~~; (CFR §200.439.)



# Assessing Financial Condition: SDAM Chapter 8, Page 4

- There are growing concerns regarding the financial condition of school districts.
- The proposed Accounting Manual revision aligns guidance to new note disclosure requirements.
- Concepts include “Going Concern Considerations” GASB Cod.2250.118
- Proposed first draft provided to SDAAC.
- Excerpts on next three slides



# Assessing Financial Condition: SDAM Chapter 8, Page 4 (excerpt)

- As critical government institutions, school districts are not expected to declare bankruptcy or dissolve. Therefore, the Accounting Manual does not contain any form of liquidation basis of accounting for use when there is substantial doubt about the going concern assumption.
- Continuation of a school district as a going concern is assumed in absence of significant information to the contrary. If no substantial doubt exists, then no disclosure is needed. However, if conditions or events exist that raise a substantial doubt, then note disclosure is required.



# Assessing Financial Condition: SDAM Chapter 8, Page 4 (excerpt)

Examples of conditions or events that would normally be considered to raise a substantial doubt include the following. This is not an exhaustive list.

- The need to petition OSPI to budget receivables and enter into binding conditions.
- Contracting with the County Treasurer to register warrants due to lack of funds.
- Issuing an F-196 Annual Financial Statement with a negative unrestricted fund balance in the general fund.
- Issuing interfund loans to avoid entering into binding conditions.
- Requesting apportionment advances.





# Assessing Financial Condition: SDAM Chapter 8, Page 4 (excerpt)

Examples (continued):

- Temporarily funding structural budget imbalances using short term debt, asset sales, or other one-time resources.
- Delaying vendor or payroll payments due to lack of funds.
- Defaulting on bonds or other debt.
- Triggering debt guarantees or negotiating debt restructures to avoid default.
- Catastrophic events that prevent the district from operating or earning a significant portion of expected revenues, or that subject the district to material uninsured losses in excess of cash reserves.



# Revenue 2800 Title & Guidance Change

## SDAM Chapter 5, Page 5-19

- The title of Revenue Code 2800 is changed from *Insurance Recoveries* to *Judgements and Settlements*.
- The title of Revenue Code 9400 is changed from *Compensated Loss of Capital Assets* to *Insurance Recoveries*
- *Currently, insurance recoveries are reported as either a Revenue (2800) or Other Financing Source (9400).*
- *The current classification is dependent on whether the insurance recovery is related to a capital asset.*



# Revenue 2800 Title & Guidance Change

## SDAM Chapter 5, Page 5-19

- *Recognizing insurance recoveries as a local resource (GL 960, Rev 2800) is not consistent with GASB 42 Par. 21 and Par. 22, which directs governments to report Insurance Recoveries as an Other Financing Source (GL 965, Rev 9400).*
- **Or** *netting against expenditures (i.e. clean up costs) if the expenditures and related insurance recovery occur in the same year; (crediting the related GL 530 expenditure account).*



# Revenue 2800 Title & Guidance Changes

## SDAM Chapter 5, Page 5-19

- ***2800 Judgements and Settlements***

- Applicable Fund: (GFL, CPF, TVF)
- Record revenue from claims for damages incurred by the district. Include revenue from legal judgements and other non-insurance settlements.
- Refer to Revenue Account 2600 Fines and Damages for administrative fines in accordance with RCW 28A.635.060.
- Refer to Revenue Account 9400 for insurance recoveries and claims related to insurable losses for capital assets.



# Revenue 9400 Title & Guidance Change

## SDAM Chapter 5, Page 5-68

### ***9400 Insurance Recoveries***

Applicable Fund: (GFL, CPF, TVF)

- Include all insurance recoveries that apply to any loss covered by insurance, whether or not the policyholder is the district.
- Insurance recoveries related to storm cleanup **which are** measurable and available *in the same year* as the related cleanup expenditures should be netted against those expenditures; **(crediting the GL 530 expenditure account)**.
- Insurance recoveries related to cleanup and are recognized in subsequent periods should be reported as other financing sources (GL 965, Revenue 9400).



# Revenue 9400 Title & Guidance Change

## SDAM Chapter 5, Page 5-68

### ***9400 Insurance Recoveries (guidance continued)***

Applicable Fund: (GFL, CPF, TVF)

- FEMA grants are not insurance recoveries and should be accounted for as direct/indirect federal grants.
- Include payments related to L&I workers compensation insurance.
- Experience rating credits and other rebates should be accounted for as reimbursements (crediting the GL 530 expenditure account).



# Private Purpose Trusts — Deductions for Scholarships

- Minor modification to the F-196
- Allows Scholarships to be a line-item deduction

Statement of Changes in Fiduciary Net Position		
	Custodial Funds	Private Purpose Trusts
Deductions		
Scholarships	Item 465	Adding a New Item Code



# Updated SDAAC Meeting Schedule

Thursday, March 27	9-11 am	OSPI Video-Conference	Regular Committee Meeting
Wednesday, June 18	9-11 am	OSPI Video-Conference	Regular Committee Meeting

- ❖ We anticipate scheduling sub-committee meetings between the regular meetings.





# Final Thoughts

The next meeting is scheduled for Thursday, March 27<sup>th</sup>.

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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Prior Meeting Slides not used in today's meeting

# Other Subcommittee Topics

## Work on these Projects is on Hold

- Interfund Activity Subcommittee - Oversight.
- F-197 System Upgrade Subcommittee
- The Chart of Accounts (COA): Subcommittee



# Interfund Activity Subcommittee - Oversight.

- Interfund Activity Oversight Subcommittee
  - T.J. Kelly (OSPI); Paul Stone (OSPI); Ryan Montgomery (SAO); Jennifer Priddy (ESD113); Jason Rhoades (ESD114), Charles Hole (ESD112); Jason Williams (ESD171); Lori McLeod (ESD189); Julie Rupe (ESD113); Justin Lanting (ESD121), Amber Porter (Oak Harbor); Kristy Magyar (Seattle); Holly Burlingame (WASBO); Alphonso Melton (University Place), Cindy Coleman (Spokane)
- Initial meeting TBD.
- **Progress on this topic is stopped/tabled**



# Interfund Activities — Review

- High level overview of Interfund Activities
  - Interfund Transfers, Interfund Loans, Interfund Reimbursements, and Interfund Services;
  - Review allowable transactions
  - Create a real-time tracking schedule
  - Review and potentially modify WAC Rules
  - New instructional guidance for the Accounting Manual



# Oversight for Interfund Activities

- New rules on Interfund Loans.
- Timely reporting to OSPI and the ESDs when Loans and Transfers occur.
- New rules may require loan repayment schedule disclosure.
- Districts provide the rationale for the transactions and offer business factors that improve the district's financial position.



# F-197 System Upgrade

- F-197 System Upgrade Subcommittee
  - Lori McLeod (ESD189); Charles Hole (ESD112); Justin Lanting (ESD121); Julie Rupe (ESD113); Jordan Coleman (ESD114); Dustin Kinley (ESD105); Jason Williams (ESD171); Leslie Oliver (ESD101);
  - Lee Wlazlak (OSPI); Paul Stone (OSPI);
- **Progress on this topic is stopped/tabled**
- Interfund Activity Tracking in the F-197
  - Interfund Expenditure Reimbursements
  - Interfund Transfers
  - Interfund Loans
- EDS System modifications to produce user-friendly reports.



# F-197 Concept to Review

- Interfund Reimbursement year-end reconciliation is difficult, and it is always an SAO audit focus.
- Feasibility Study to explore new alignments on the F-197
  - Identifying Interfund Reimbursements — a priority
  - Aligning Interfund Transfers with Other Financing Uses — a priority
  - Aligning Interfund Loan Receivables and Payables — a priority
  - Create new Item numbers.
- Build rules & procedures into the SDAM to add leverage.
- Possibly include County Treasurers in future conversations.





<b>F-197 Partial Illustration</b>		ITEM No	General Fund 1	Capital Projects Fund 2
<b>Beginning Cash Balance</b>			\$	
<b>ADD:</b>	School District Deposits Received In	01		
	Investment Earnings	02		
	Investments Sold (Exclude Interest)	03		
	<b>Interfund Loan Proceeds from another Fund</b>	<b>52</b>		
	<b>Repayment of Interfund Loan Principal from another Fund</b>	<b>49</b>		
	(Exclude Interest)			
	Proceeds from Revenue Anticipation Notes Issued	15		
	<b>Total Schedule A Cash Increases (see page 8)</b>	<b>04</b>		
	<b>Interfund Expenditure Reimbursements from another Fund</b>	<b>#</b>		
	<b>Interfund Transfer from another Fund – Move here ? -</b>	<b>48 #</b>	<b>9900 &amp; 9901</b>	<b>9900 &amp; 9901</b>
	Other Cash Increases - Identify	19		
<b>DEDUCT:</b>	Warrants Redeemed	05		
	Warrant Interest Paid	06		
	Investments Purchased	07		
	<b>Interfund Loans to Another Fund</b>	<b>13</b>		
	<b>Repayment of Interfund Loan Principal to another Fund</b>	<b>08</b>		
	(Exclude Interest)			
	<b>Interfund Loan Interest Paid</b>	<b>09</b>		
	Revenue Anticipation Notes Redeemed	16		
	Revenue Anticipation Note Interest Paid	17		
	<b>Transfer to Funds</b>	<b>10</b>	<b>535 or 536</b>	<b>535 or 536</b>
	Bond Issuance Expenditures	18		
	<b>Interfund Expenditure Reimbursements to another Fund</b>	<b>#</b>		
	Other Cash Decreases - Identify	11		
<b>Ending Cash Balance</b>			\$	



# F-197: Review of Schedule A – Cash Increases

County Treasurer Report: Schedule A (Condensed View of Items Shown)				
Rev Code	Source	Item No.	General Fund	Capital Projects
1100	Local Property Tax	20		
1900	Other Local Tax	31		
<b>XXXX</b>	<b>Apportionment 1197 Total</b>	<b>32</b>		
2900	Other Local Support Non-Tax	38		
5500	Federal Forest	27		
XXXX	Other Federal (include 5200 & 6100)	40		
2300	Investment Earnings	02		
2400	Interfund Loan Interest	41		
7100	Participation Payments from Other	46		
7301	Non-High Participation	47		
9900	Transfers ( <b>Apportionment Redirection</b> )	48		
<b>9901</b>	<b>Transfers - Other</b>	<b>#</b>		
<b>Total Schedule A Cash Increases to Item 04</b>				



# Chart of Accounts (COA) Subcommittee

- The Chart of Accounts (COA) — Subcommittee:
  - Alphonso Melton (University Place); Amanda Sipher (North Thurston); Marci Bannan (Orting); Mitch Thompson (Moses Lake); Lori McLeod (ESD-189); Veronica Birdsong (Tacoma); Mike Sando (OSPI); Paul Stone (OSPI).
- NCES Codes for Object Codes 0 & 1: Debit and Credit Transfers
- NCES Codes for Transportation Distinct Passengers including specific types of Purchased Services
- **Progress on this topic is stopped/tabled**



# NCES Subcommittee – Work Process

- **Work on this project is Tabled**
  - Develop NCES Codes
  - ~~Review at SDAAC by March 27.~~
  - ~~Present at the WASBO Annual Conference.~~
  - Include the codes in the Chart of Accounts – Version 11
  - Include in the 2025–26 Accounting Manual
  - School Districts begin using the codes September 2025
- The 2025–26 F-196 Programming is contingent



# NCES Codes for Distinct Passenger Categories

- Distinct Passenger Categories
  - Special Education
  - Homeless
  - Foster Care
- Legislature appears driven towards identifying costs within the F-196.
- Expenditure provided by districts in a Smart Sheet claim file is not a long-term solution.
- Our goal is to separate costs and provide reporting in the F-196.



# Debit and Credit Transfers for Distinct Passenger Costs

- Open **Program 99, Activity 59, Object 0**
- NCES Codes for Distinct Passenger separates costs

Distinct Passengers	Program - Activity	<b>Object 0 DR Transfer NCES</b>	Object 1 CR Transfer NCES
Special Education	99-59	<b>0991</b>	1991
Homeless	99-59	<b>0992</b>	1992
Foster Care	99-59	<b>0993</b>	1993



# Debit and Credit Transfers Net to Zero

- Distinct Passenger Trip Costs stay in Program 99.
- Activity 59, Object Codes 0 & 1, would be segregated by NCES Codes.

Program 99	Total	Debit Transfer	Credit Transfer
Activity		Object 0	Object 1
59 — Transfers	\$0	\$1,000	(\$1,000)

- The total Program 99 expenditures does not change.



# NCES Codes in Object-7 for Distinct Passengers

- Need to segregate “In Lieu of” Purchased Services for Distinct Passengers in Program 99.
- New **750X Purchased Services—Student Transportation—In Lieu Of**

Distinct Passengers	Obj7 Distinct Passengers TO/FROM – <b>In Lieu of</b> — NCES Codes	Obj7 Distinct Passengers TO/FROM – <b>Commercial Vendors</b> — NCES Codes
Special Education	7501	7506
Homeless	7502	7507
Foster Care	7503	7508
In Lieu of — Other...(?)	7505	





# NCES Codes for DR/CR Transparency

- A complete list of codes for other types of DR/CR transfers
- Debit Transfers are charged to the various Programs.
- Examples:

Other Items of Debit & Credit Transfers	Object 0 DR Transfer NCES	Object 1 CR Transfer NCES
Field Trips	0996	(99-59) 1996
ASB Trips	0998	(99-59) 1998
Food Service to Programs	0980	(98-49) 1980
Food Service to ASB	0981	(98-49) 1981
Motor Pool	0750	(97-75) 1750
Lease Cost Transfer	0850	(97-85) 1850

