

School District Accounting Advisory Committee

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

March 27, 2025



Washington Office of Superintendent of
PUBLIC INSTRUCTION

Today's Agenda

- Roll Call – SDAAC Committee Members
- OSPI Updates
- Narrative Guidance for Compensated Absences
 - Calculating the Compensated Absences Liability
- Revisit Chapter 3 Guidance: Crediting Investment Earnings
- Debt Service Fund — Expenditure Types
- Modifications to the Schedule of Long-Term Liabilities
 - Possible Changes to Chapter 3 Guidance: BANs, RANs, & TANs
 - Possible Addition of New GL Codes to Align to SLTL.
- Other Items?



Estimating the Liability for Compensated Absences (GASB 101)

- Sub-Committee met on February 5
- 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).



General Guidelines to Estimate the Compensated Absence Liability

- To estimate the liability, several estimates, and calculations must be made. When completed, the liability is reported in the F-196 annual financial statement on the Schedule of Long-Term Liabilities.



On the Schedule of Long-Term Liabilities

- The net change in the liability should be reported as either an increase or decrease.
- Districts will also need to calculate the portion of the liability “due within one year”.
- In the year of implementation, the beginning balance needs to be recalculated using the GASBS 101 criteria.



Other Considerations

- Changes in accounting principles are reported retroactively, and this will need to be **disclosed in Note 1: Summary of Significant Accounting Policies**.
- 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” (MLTN \geq 50% or more) threshold to classify data.



Other Considerations

- 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.



The Historical Analysis of Past Leave Practices

- To predict the future compensated absence liability and to classify it appropriately on the Schedule of Long-Term Liabilities requires a review of school district leave policies and how employees utilized leave in the past (**GASBS 101, ¶12**).
- The prior year review provides information intended to classify the leave data by how it was “consumed” or removed from the books. This analysis requires a multiple year review to classify the data as MLTN to be consumed in a particular fashion.
- All the various types of leave must be reviewed. The review creates an average annual usage pattern and becomes a product for the liability amount due in one year.



Historical Data Review

- To recalculate your 2024–25 beginning liability, you need to examine the past 3-year’s data:
 - Fiscal years 2021–22; 2022–23; and 2023–24.
- When you calculate your 2024–25 ending liability:
 - you examine the past 4-year’s data by including a review the current 2024–25 leave usage.
- In future years, the historical analysis will be a review of at least the past 5-year’s data.



Using the Liability Estimate-Tool

- The Template is still a rough draft.
- The tool is only designed to estimate the sick leave component (before Salary-Related payments).
- In general terms, the liability for future sick leave is based upon these variables:
 - The Sick Leave is Used (SLU = 100% Liability),
 - Cashed Out (SLCO = 25% Liability), or
 - Forfeited/Transferred (SLF = 0% Liability).



General Methodology

- During the end-of-year process, the employee sick leave balance report is generated.
- This should be run before future leave posts in the system.
- The leave report provides:
 - Total number of active employees
 - Total sick leave hours
 - Total sick leave value



The Average Rate of Pay

The liability recognized should be measured using the employees' pay rates as of the date of the financial statements.

(GASBS 101, ¶16).

- An average hourly pay-rate for all employees is calculated:
 - The sum of all employees' hourly rates [\div]
 - The total number of employees
- This method projects a blended hourly rate by which sick leave hours are consumed.



Tool Illustration – Example

Employee Sick Leave Balance Report				
Total Active Employees	Total Sick Leave Hours	Total Sick Leave Value	Sick Leave Average Hourly Value (\$S.L. Value / Total Hours)	Average Rate of Pay (Σ EEs Hourly Rates / Total # EEs)
697	179,553	\$9,325,804	\$51.94	\$48.89

- **\$51.94** = The total sick leave value is divided by the total hours. This calculation may not accurately project the average hourly rate for all employees.
- **\$48.89** = This is the summation of all employees’ hourly rates divided by the total number of employees. This measures a blended rate of pay for all employees

Historical Sick Leave Analysis – Example

Historical Sick Leave Analysis	
Average annual number of sick leave hours consumed	55,663
Average number of sick leave hours forfeited/transferred out (SLF)	3,014
Average number of hours converted or cashed out (SLCO)	7,112
Average number of hours used as normal sick leave (SLU)	45,537

- The analysis of prior year data reveals that, on average, 55,663 sick leave hours are “consumed” each year.
- The hours are segregated into the variables as “more likely than not” (MLTN) to be consumed in a particular fashion.



Historical Sick Leave Analysis – Example

Amount Due in One Year					
	Average Annual Hours	Percent of Annual Hours	Average Rate of Pay	Accrual Rate	Accrual Amount
SLF	3,014	5.41%	\$48.89	0%	\$ 0.00
SLCO	7,112	12.78%	\$48.89	25%	\$ 86,926
SLU	45,537	81.81%	\$48.89	100%	\$ 2,226,304
Totals	55,663	100.00%			\$ 2,313,230

Amount = Hours * Pay * Rate

- Salary Related Payment Percentage must be included.
- This is the Sick Leave Liability “Due in One Year”.



Residual Sick Leave Due in Subsequent Periods

Total Hours on Sick Leave Balance Report	179,553
Average Sick Leave Hours Consumed in One Year	55,663
Residual Sick Leave Hours	123,890

Residual Sick Leave Due in Subsequent Periods					
	Percentages Applied to Variables	Proportionate Share of Residual Hours	Average Rate of Pay	Accrual Rate	Accrual Amount
SLF	5.41%	6,702	\$48.89	0%	\$ 0.00
SLCO	82.00%	101,590	\$48.89	25%	\$ 1,241,681
SLU	12.59%	15,598	\$48.89	100%	\$ 762,574
Totals	100.00%	123,890			\$ 2,004,255
The Sick Leave Portion of the Compensated Absences Liability (before Salary-Related Payments)					\$ 4,317,486

Schedule of Long-Term Liabilities

On the Schedule of Long-Term Liabilities				
Beginning Balance	Net Change		Ending Balance	Amount Due in One Year
	Additions	Deductions		
\$3,603,452	\$714,034	\$ -	\$4,317,486	\$2,313,230

Compensated Absences: FAQ

- We will compile Q&As during WASBO.
- Ryan & I will need “volunteers” to help write down questions from the audience.

- How is the Employee Rate of Pay determined?
 - Is it **Base Pay** or do we include additional pay / stipends?



Crediting Investment Earnings: SDAM Chapter 3, Page 65

- Modify the Accounting Manual guidance ~
- To include the school board's authority to transfer certain investment earning previously deposited in a fund ~
- To another fund for the purposes as described in RCW [28A.320.320](#)



Crediting Investment Earnings

Current Chapter 3 Guidance

- When authorized by the board of directors, any interest or earnings on investments being credited to a fund different from that which earned the interest or earnings shall only be expended for instructional supplies, equipment, or capital outlay purposes as long as it is not restricted or prohibited by another statute (RCW 28A.320.320).



Crediting Investment Earnings

New Clarifying Guidance

- The authority of the board of director to inure undedicated interest earnings to another fund extends to transferring previously deposited interest earnings to another fund. The same prohibitions and use restrictions described in RCW 28A.320.320 apply to those resources transferred to another fund.



Crediting Investment Earnings

New Clarifying Guidance

- In making all such transfers, the Board of Directors must pass a resolution authorizing the transfer which clearly indicates that the transferred investment earnings are not required for use within the next fiscal year in the fund where the interest was earned.



Crediting Investment Earnings

Original Guidance

Citations which prohibit crediting or transferring interest earnings include, but are not limited to:

- RCW 28A.160.130 does not permit transfer of funds from the TVF to any other fund.
- RCW 28A.325.030 requires all moneys generated through the programs and activities of the ASB be deposited in the ASB program fund.
 - It allows investment *for the sole benefit of the Associated Student Body program fund.*
- RCW 28A.530.030 and RCW 28A.320.330 require moneys from bonds issued and sold be deposited to the Capital Projects Fund where they and interest earnings on them be used only for capital purposes under RCW 28A.530.010 or be deposited to the Debt Service Fund.
 - In the Debt Service Fund only the interest on bond interest, not the bond interest itself, would be eligible for credit to another fund for uses described above.



Modifications to the Schedule of Liabilities (SLTL)

- This Project is very preliminary
- SAO is aligning the school district SLTL to other versions.
- Proposed Changes include ~
- Suggests the SLTL have 4 sections
 - Voted General Obligation Debt
 - Non-Voted General Obligation Debt
 - Revenue Debt
 - Other Liabilities



Proposed Changes to the Schedule of Liabilities (SLTL)

- Suggest a separate line item for “Revenue Anticipation Notes”, since this appears to be the only potential revenue debt authorized for schools per Chapter 3, Page 3-37.
- Further suggest the existing line item be re-titled to “Bond and Tax Anticipation Notes
- Suggest a separate line item for “Loans and debt obligations to other governments” and to define other line items as excluding any loans or debts from other governments.



Proposed Changes to the Schedule of Liabilities (SLTL)

- Suggest re-titling the “LOCAL Program Proceeds Issued in lieu of bonds” line to
 - “Voted LOCAL Program Financing”.
- Suggest re-titling “LOCAL Program Proceeds” to
 - “Non-Voted LOCAL Program Financing”
 - Creates parallelism.



Proposed Changes to the Schedule of Liabilities (SLTL)

- Suggest adding a list of general ledger accounts in the Long-Term Debt Account Group in Chapter 4 that corresponds to the Schedule line items and includes definitions for each line item.
- Include a corresponding crosswalk in Chapter 8 in the SLTL Instructions.
- This will take a committee to redefine the current list of GL Accounts and crosswalk each GL Code to the line items on the SLTL.



Proposed Changes to the Schedule of Liabilities (SLTL)

- While Chapter 3 has accounting guidance on debt and leases, these sections and titles don't clearly match the categories displayed on the SLTL or directly to GL Account Codes.
- Review guidance for RANs, BANs, & TANs.
- Are RANs applicable to School Districts?
 - Maybe Everett & Spokane?





Other Topics?

SDAAC Meeting Schedule

Wednesday, June 18	9-11 am	OSPI Video- Conference	Final Review of Accounting Manual Changes: <ul style="list-style-type: none">• 2024–25 Addendums• 2025–26 Revisions• Work in Progress List• Updated Meeting Schedule for 2025–26
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Final Thoughts

The next meeting is scheduled for Wednesday, June 18th.

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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