



2025–26 Educational Service District Accounting Manual Revisions – (250728 Gov Delivery)

Purpose/Background

The purpose of this bulletin is to advise Educational Service Districts (ESDs) of the revisions and distribution of the *Accounting Manual for Educational Service Districts in the State of Washington (ESD Accounting Manual)*. The *Accounting Manual* is revised for the 2025–26 school year and the effective date of these revisions is September 1, 2025.

The *Accounting Manual* is distributed electronically; printed copies are not mailed to ESDs. The *Accounting Manual* can be accessed on the OSPI website under the School Apportionment and Financial Services (SAFS) webpage under [ESD Reports and Resources](#). The updated ESD Accounting Manual will be posted by August 5. 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.

Information and Assistance

For questions regarding this newsletter announcement, 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 newsletter announcement is also available on the OSPI website under [ESD Reports and Resources](#).

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

CHAPTER 1 – Principles of Accounting — Changes

In Chapter 1, Page 8: The paragraph introducing Custodial Funds and the implementation of GASB Statement 84 is deleted.

~~Beginning in 2020–21 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.~~

In Chapter 1, Page 13: 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.

The capitalization policy of an ESD defines the dollar limits at which assets will be entered into the capital asset records and is established by the Board of Directors for the ESD. The policy should also consider treatment of capitalized leases; cost accumulation on self-constructed assets; control of small attractive assets that are not capitalized; and accounting for any infrastructure such as roadways, utility lines, etc. ESD personnel should be trained on the appropriate application of the capitalization policy to each acquired or disposed of tangible asset. Assets purchased with federal funds costing \$10,000 or more must be, at a minimum, inventoried (similar to theft-sensitive equipment which may be below capital asset thresholds) to comply with federal requirements of 2 CFR Part 200.313.

CHAPTER 2 – Principles of Reporting — Changes

In Chapter 2, Page 14: The federal threshold is increasing to one million dollars 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 2025–26.

Under the Single Audit Act, a schedule of expenditures of federal awards must be prepared by educational service districts that expend more than \$1,000,000 in federal awards (2 CFR Part 200 Subpart F §200.501).

CHAPTER 3 – Chart of Accounts — Changes

In Chapter 3, Pages 2, 4, 7, and 14: The *General Ledger Account Listing* is modified. GL538 and GL968 are added to the Chart of Accounts for Unusual or Infrequent Items, Outflows and Inflows. These GL accounts are added to implement GASB Statement 103.

On Page 2

Budgetary and Expenditure Accounts

538 Unusual or Infrequent Items—Outflows

On Page 4

Budgetary, Revenue, and Other Financing Sources

938 Unusual or Infrequent Items—Outflows

On Page 7

538 Unusual or Infrequent Items—Outflows

This account is used to classify amounts in accordance with GASB Statement 103 which are transactions or events that are unusual in nature or infrequent in occurrence. This may include significant costs related to a natural disaster caused by fire, flood, tornado, hurricane, or hailstorm; or costs related to an environmental disaster.

Refer to *GL 968 Unusual or Infrequent Items—Inflows* for the accounting treatment related to resources utilized in these events.

ESDs are required to describe each unusual or infrequent event separately in the Notes to the Financial Statements.

- Debit this account by adjusting journal entry (AJE); by transferring applicable amounts originally reported in GL 530 and 535 expenditure accounts.
- Credit with closing entry to Account 890 Unrestricted Fund Balance.

On Page 14

968 Unusual or Infrequent Items—Inflows

This account is used to classify amounts in accordance with GASB Statement 103 which are transactions or events that are unusual in nature or infrequent in occurrence. This may include awards or assistance provided from local, state, and federal sources related to a natural disaster caused by fire, flood, tornado, hurricane, or hailstorm; or costs related to an environmental disaster.

Refer to *GL 538 Unusual or Infrequent Items—Outflows* for the accounting treatment related to expenditures incurred in these events.

ESDs are required to describe each unusual or infrequent event separately in the Notes to the Financial Statements.

- Credit this account by adjusting journal entry (AJE) to transfer applicable amounts originally reported in GL 960 and 965 revenue codes.
- Debit with closing entry to Account 890 Unrestricted Fund Balance.

In Chapter 3, Page 3: The General Ledger Account Listing is modified. GL607 and GL608 are retitled. These GL accounts were previously titled Estimated Vacation Leave Payable and Estimated Sick Leave Payable. The titles changes are to implement GASB Statement 101.

607 Compensated Absences—Current
608 Compensated Absences—Long-Term

In Chapter 3, Page 4: New GL codes are added to the General Ledger Account Listing. GL896, GL897, and GL898 are added to the Chart of Accounts to implement GASB Statement 100.

Accounting Changes and Error Corrections

896 Changes in Accounting Principles
897 Changes to or within the Financial Reporting Entity
898 Prior Year Error Corrections

In Chapter 3, Page 8: The narrative guidance for GL codes 607 and 608 is modified with the implementation of GASB Statement 101.

607 Compensated Absences—Current

This account is used to record the current portion of all compensated absences earned, but not paid, that meet the criteria found in GASB Statement 101. The current portions are those amounts normally expected to be liquidated with expendable available financial resources. These should be recorded in the fund that will liquidate the liability.

608 Compensated Absences—Long-Term

This account is used to record the long-term portion of all compensated absences earned, but not paid, that meet the criteria found in GASB Statement 101. These should be recorded in the fund that will liquidate the liability.

In Chapter 3, Page 13: Narrative guidance is added for new GL896, GL897, and GL898 and the implementation of GASB Statement 100.

Accounting Changes and Error Corrections

General Ledger account codes are provided to enhance the accounting and financial reporting requirements for accounting changes and error corrections per GASB Statement 100.

896 Change in Accounting Principles

This account is used to record the cumulative effect of change in accounting principles. The use of GL 896 is considered an adjustment in the beginning fund balance and amounts recorded in the account are temporary in nature. Reference GASB 100 Par. 5-6. The amounts

recorded in this account are closed to GL 890 Unrestricted Fund Balance at the end of the fiscal year.

Note: Changes in Accounting Estimates are reported prospectively by recognizing the change in accounting estimate in the reporting period in which the change occurs. An adjustment to beginning fund balance is not reported. Changes are reported within existing affected accounts. Reference GASB 100 Par. 7-8.

897 Change to or within the Financial Reporting Entity

This account is used to record the amount of prior year change in accounting estimates. A prior period adjustment and the use of GL 897 is considered an adjustment in the beginning fund balance and amounts recorded in the account are temporary in nature. (Reference GASB 100 Par. 9-11). The amounts recorded in this account are closed to GL 890 Unrestricted Fund Balance at the end of the fiscal year.

898 Prior Year Error Corrections

This account is used to record the amount of prior year error corrections. A prior period adjustment and the use of GL 898 is considered an adjustment in the beginning fund balance and amounts recorded in the account are temporary in nature. The amounts recorded in this account are closed to GL 890 Unrestricted Fund Balance at the end of the fiscal year.

In Chapter 3, Pages 15, 17, 18, and 22: Revenue Code 20 is renamed Judgements and Settlements and Revenue Code 94 is renamed Insurance Recoveries. The narrative guidance for the revenue codes is modified.

Previously, insurance recoveries were reported as either: Revenue (20) or Revenue (94). The previous classification was dependent on whether the insurance recovery was related to a capital asset. Recognizing insurance recoveries as a local resource (**GL 960**, Rev 20) 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 94).

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Local Government Sources (Revenue Codes 10–29)

20 Judgements and Settlements

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Other Financing Sources (Revenue Codes 90–99)

94 Insurance Recoveries

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20 Judgements and Settlements

Record revenue from claims for damage incurred by the district. Include recoveries from legal judgements and other non-insurance settlements. Refer to Revenue Account 94 Insurance Recoveries for claims related to insurable losses.

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94 Insurance Recoveries

Include all insurance recoveries that apply to any loss covered by insurance whether or not the policyholder is the district.

An exception is allowed for insurance recoveries related to storm cleanup that are measurable and available in the same year as the related cleanup expenditures. In this example only, resources should be netted against those expenditures.

CHAPTER 4 – Federal Grants Management — Changes

In Chapter 4, Pages 6 and 7: 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.

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Equipment

For federal funds, 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 or more per unit. However, more restrictive limits may be established in an ESD's policy.

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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 \$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 \$10,000, it may be retained by the ESD or sold. In these cases, the ESD will need to remit to the awarding agency an amount equal to the federal share of the original cost of the equipment.

In Chapter 4, Page 16: In the section titled *Audit Requirements*. The federal threshold increased to one million dollars 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 2025–26.

Grantees that expend \$1,000,000 or more in a year in total federal awards are required to have a single audit. Grantees that expend less than \$1,000,000 in federal awards are exempt from federal audit requirements that year, but records must be available for review or audit by appropriate officials of the federal agency, pass-through entity, and Government Accountability Office (GAO).

Appendix A – ESD Cost Allocation Plan — Changes

In Appendix A, No Changes

Appendix B – Program Expenditure Matrices — Changes

In Appendix B, No Changes

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