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Washington Office of Superintendent of
PUBLIC INSTRUCTION
Chris Reykdal, Superintendent

2026–27 School District Accounting Manual Revisions – (260729 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 2026–27 school year and the effective date of these revisions is September 1, 2026.

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 2026–27 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.

2026–27 SCHOOL DISTRICT ACCOUNTING MANUAL REVISIONS

Accounting Manual Introduction – Changes

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 August 2026	
Washington Association of School Administrators	
Jason Williams, Director of Finance	Educational Service District 171
Washington Association of School Business Officials	
Amanda Sipher, Director of Financial Services	North Thurston School District
Chris Bishop, Director of Finance	Peninsula School District
David Knechtel, Accounting Manager	Kent School District
James Peckham, Executive Director of Finance	Lakewood School District
Jon Poolman, Director of Fiscal Services	Mukilteo School District
Marci Bannan, Director of Business Services	Orting School District
Meisha Robertson, Associate Superintendent of Business Services	Riverview School District
Mitch Thompson, Executive Director of Finance	Sultan 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
Lori McLeod, Fiscal Services Supervisor	Educational Service District 189
Wandah Messinger, Director of Fiscal Services	Educational Service District 105
Washington Association for Career and Technical Education	
Mike Christianson, Director, CTE	Bethel School District
Kevin Smith, Director, CTE	Renton School District

Current Members of the School District Accounting Advisory Committee (SDAAC) as of August 2026	
At Large Members	
Amber Porter, Chief Financial Officer	Oak Harbor School District
Andrew Burgess, Controller	Highline School District
Holly Burlingame, CSBA	WASBO
Travis Belisle, Executive Director of Finance	Richland School District
Washington School Information Processing Cooperative (WSIPC)	
Susan Pangilinan-Tiosejo, Senior Systems Analyst	
State Auditor's Office	
Sara Heath, Audit Manager; School Programs	
Ryan Montgomery, Assistant Audit Manager; School Programs	
Shirley Christiansen, Assistant Audit Manager; School Programs	
Stacie Tellers, Local Government Support Manager	
Office of Superintendent of Public Instruction	
Shawn Lewis, Director, School Apportionment and Financial Services; Committee Chairperson	
Mike Sando, Supervisor, School District Financial Reporting	
Paul Stone, Supervisor, School District Accounting	

CHAPTER 1 – Principles of Accounting — Changes

In Chapter 1, Beginning on Page 1-7: The following guidance in the section describing the Debt Service Funds is outdated or duplicated in Chapter 11—Debt Service Fund. The guidance is deleted from Chapter 1.

Debt Service Funds (Fund 3) …

… For additional debt service information, see Chapter 11—Debt Service Fund.

~~Non-voted bonds are serviced in the Debt Service Fund rather than in the fund that received the debt proceeds. In order to provide the resources to retire the debt, a transfer is used by the General Fund, the Capital Projects Fund, or the Transportation Vehicle Fund to transfer resources to the Debt Service Fund.~~

~~The Debt Service Fund is also used in advance bond refundings to account for the proceeds from the sale of new bonds and the use of these proceeds to establish an escrow account with a bank. There are two methods to advance refund bonds—the regular method and the crossover method.~~

~~In the regular method of advance bond refunding the proceeds from the sale of new general obligation bonds are recorded as an "other financing source" and an "other financing use" in the Debt Service Fund. The cash from the proceeds of the sale of the new bonds is deposited in an escrow account with a bank and invested. The investments are selected so that the cash realized from maturing investments, together with interest earned, will be available to pay the principal and interest of the refunded (old) bonds as they mature and become callable. At the time the escrow account is established, an in-substance defeasance of the old bonds occurs. The cash deposited in the escrow account is not reported as an asset of the school district. The debt service on the new bonds is recorded in the Debt Service Fund and the principal amount is recorded as long-term debt. Taxes are no longer levied for the debt service requirements of the old bonds. Instead, taxes are levied for the debt service requirements of the new bonds together with any bonds that have not been refunded.~~

~~In the crossover method of advance bond refunding there is a delay in the defeasance date of the old bonds. The proceeds from the sale of the new bonds are held in escrow with a bank and invested until the crossover date. The investments provide interest earnings that are used to pay interest on the new bonds. After the crossover date, the proceeds from the sale of the new bonds are used to defease the old bonds. Until the crossover date, both the new bonds and the old bonds are reported as long-term debt, and the debt service on the old bonds is accounted for in the Debt Service Fund. After the crossover date, only the new bonds are reported in the Schedule of Debt and Liabilities, and the debt service on the new bonds is accounted for in the Debt Service Fund. Until the crossover date, taxes are levied for the debt service on the old bonds. After the crossover date, taxes are levied for the debt service requirements of the new bonds together with any bonds that have not been refunded.~~

CHAPTER 2 – Budgeting — Changes

2026-27 SDAM Revisions
In Chapter 2, Page 2-9: Guidance in the section Budget Presentation at a Public Hearing is edited to provide clarity.

Passage of the budget resolution shall require the vote of a majority **~~of all members~~** of the school district board of directors **~~at the public meeting~~**.

Passage of the budget resolution shall require a majority vote of the school district board of directors or the charter school board.

CHAPTER 3 – Accounting Guidelines — Changes

In Chapter 3, Page 3-18: The following guidance is added in the Warrants section.

School districts must disclose all periodic activity involving Registered Warrants on the Schedule of Debt and Liabilities and in the Notes to the Financial Statements, even if there is no year-end balance. See also the section on Lines of Credit later in this Chapter.

In Chapter 3, Page 3-34: In the section Claims and Judgments, two bullet-points from the list of claim-types are deleted. Compensated absences and Arbitrage rebates are described elsewhere. Also, in the "Probable" conditions, the guidance (**bolded** for emphasis in this document) is modified.

Claims and Judgments

Such claims may include:

- ~~Compensated absences, vested and accrued sick leave, and vacation time.~~
- ~~Arbitrage rebate.~~

- ***Probable***, where the future event(s) occurrence is likely. If the future event is probable and the amount can be reasonably estimated, **then a liability is reported for the amount known and estimated (incurred but not reported) on the Schedule of Debt and Liabilities. An expenditure** ~~then expenditure is made for the liability known and estimated (incurred but not reported),~~ and a fund payable is recorded for amounts that would normally be liquidated with current financial resources. **That is, to the extent that the liabilities mature (come due for payment) each period.** If the amount is one of a range, then the amount posted is the minimal most likely.

In Chapter 3, Beginning on Page 3-35:

- The section Short-Term and Long-Term Obligations, guidance is modified.
- Under the section titled Short-Term Obligations, the definition is deleted.
- Under the section titled Long-Term Obligations, the guidance is modified.
- Under the section titled Budgeting Short-Term versus. Long-Term Obligations, the guidance is condensed by deleting the guidance regarding Anticipation Notes (RANs, TANs, and BANs) and moving and rewriting Anticipation Notes into a new section.

Short-Term and Long-Term Obligations

This section discusses accounting and budgeting for the following types of school district debt:

- Short-term obligations (Chapter 39.50 RCW)
- Conditional sales contracts for acquisition of property (RCW 28A.335.200)

- General obligation notes and bonds issued without vote of the people for the purchase of real and personal property (RCW 28A.530.080)
- Lines of Credit
- Loans and Debt Obligations to Other Governments
- Anticipation Notes
- Local Option Capital Asset Lending (LOCAL) Program
- Leases (RCW 28A.335.170) (See guidance in Appendix B)
- Subscription-based Information Technology Arrangements (SBITAs) (See guidance in Appendix B)

Short-Term Obligations

~~Short-term obligations are anticipated to be repaid (liquidated) with currently available financial resources, and so are reported as liabilities on the balance sheet.~~

~~There is no statutory definition of "short-term," as it is used in chapter 39.50 RCW, nor is there an express limit on when short-term obligations mature, except for short-term obligations payable from the receipt of taxes (see below). However, it is generally accepted that "short-term obligations" should not have a maturity date in excess of five years from the issue date.~~

Long-Term Obligations

In school district budgeting and accounting, the use of conditional sales contracts, leases, or non-voted bonds is ~~considered to be~~ long-term financing if the obligation matures at least twelve months from the date of inception of the conditional sales contract or lease, or the date of issuance of the bond.

~~Under GAAP, certain notes~~ Anticipation Note, (BANs, TANs, and RANs, see below) are generally ~~considered to be~~, ~~and~~ reported as~~,~~ short-term obligations and ~~thus~~ fund liabilities. ~~regardless of the length of maturity of the anticipation note.~~ Note: In some instances, BANs can be reported as long-term liabilities.

Budgeting Short-Term vs. Long-Term Obligations …

~~Revenue Anticipation Notes (RANs)~~
~~One of the varieties of short-term obligations that are available for districts to issue are revenue anticipation notes, or RANs. These are promises to pay a specified amount of money to the hold of the RAN at a future date, out of specific revenue sources that are identified in the RAN and authorizing resolution. RANs may be repaid from any legally available, non-tax revenue of the district, such as state apportionment, state financing assistance under chapter 28A.525 RCW, federal Impact Aid, etc. RANs are not repaid from the receipt of tax revenues or future bond proceeds. RANs may also be secured by the district's full faith, credit, and resources. To the extent a district pledges its full faith, credit, and resources to repay the RAN, the RAN should be treated as nonvoted debt of the district.~~

~~According to GAAP, a RAN is to be reported as a liability in the fund that receives the proceeds, regardless of the length of the maturity of the RAN. When a district issues a RAN, it records the amount of the principal in Account 606 Anticipation Notes Payable. A district may utilize RANs to purchase capital equipment. Districts that choose to issue RANs for the purpose of purchasing equipment need to be aware that this may result in a deficit fund balance: the fund will have a large liability that is not offset by an asset (as districts do not report capital assets on their financial statements). Districts in such a situation should work with their ESD to prevent being required to budget receivables.~~

~~RANs may also be issued with a maturity that exceeds one year. These issues are rare, and districts considering issuing a long-term RAN should consult with their bond counsel, financial advisor, or underwriter prior to issuing such a RAN. Even though such a RAN has a long-term focus, it is still reported as a liability of the fund receiving the proceeds, and not as an Other Financing Source.~~

~~Generally a RAN is considered to be nonvoted debt of the district. However, school districts may issue long-term RANs that do not constitute nonvoted debt, provided that the RAN is payable ***only*** from non-tax revenues that are deposited into and paid from a special fund. Such a RAN may not be secured by the district's taxing power or full faith, credit, and resources. A RAN that is neither backed by the full faith, credit, and resources of the district, nor payable from any form of tax-based revenue is not considered "debt" for debt limit purposes. This is known as the "special fund doctrine" which holds that any obligation that is payable only from non-tax money deposited into a special fund is an obligation of that special fund, not a general obligation, and therefore does not constitute debt for debt limit purposes. Districts choosing to issue a long-term RAN that does not constitute nonvoted debt are cautioned to work closely with their bond counsel, financial advisor, or underwriter prior to issuing the RAN.~~

~~Tax Anticipation Notes (TANs)~~

~~Another variety of short-term obligation that can be issued is a tax anticipation note, or TAN. Similar to a RAN, a TAN allows the district to borrow money that will be repaid from future inflows of financial resources. Unlike a RAN, a TAN is repaid from taxes that the district expects to collect. (Typically, this will be taxes relating to a maintenance and operations levy, or other tax revenue source.)~~

~~Like a RAN, a TAN is reported under GAAP to be a liability of the fund that has received the proceeds. TANs are required to be repaid within six months of the end of the fiscal year in which it is issued (if tax exempt, the Internal Revenue Code further limits the term of the TAN to 13 months). TANs are considered to be a short-term liability of the district, and will always be shown as such on the financial statements. TANs that are outstanding at the time of the financial statements are reported in GL 606 Anticipation Notes Payable.~~

~~TANs are typically secured by the full faith, credit, and resources of the district. In the event insufficient taxes are collected to repay the TAN by the due date, the district will need to repay the TAN from other legally available sources.~~

~~Bond Anticipation Notes (BANs)~~
~~A third variety of short-term obligation is the Bond Anticipation Note, or BAN. Similar to RANs or TANs, a BAN allows the district to borrow money that will be repaid from future inflows of financial resources. Although BANs may be issued in anticipation of the sale of both nonvoted or voter-approved general obligation bonds, BANs are more frequently issued in anticipation of the sale of voter-approved bonds.~~

~~Typically, the district may issue a BAN in anticipation of selling the bonds once the election authorizing the bonds has been certified.~~

~~BANs must be backed by the full faith, credit, and resources of the district. In the event the bonds have not been sold in time to repay the BAN, the district will need to repay the note from any source that is legally available.~~

~~The reporting of a BAN for financial statement purposes, under GAAP, is dependent of the repayment terms of the BAN. However, as school districts do not present a government-wide statement of net assets when reporting on the F-196, BANs should be reported as liabilities in the fund that issued them, typically the Capital Projects Fund, in General Ledger 606 Anticipation Notes Payable.~~

~~Relation to Debt Limit~~

~~In general, the issuance of a RAN, TAN, or BAN is considered to be debt of the district. Accordingly, a district may not issue a RAN, TAN, or BAN (that is issued in anticipation of the issuance of an LGO bond) if the issuance would cause the district to exceed its statutory authority for issuing non-voted debt, which is 3/8 of 1 percent (0.00375) of the assessed value of the taxable property within the district. A BAN issued in anticipation of the issuance of voter-approved UTGO bonds must not exceed 5 percent of the assessed value of taxable property within the district. The exception (as discussed above) are RANs that are not secured by the full faith, credit, and resource of the district (i.e., only non-tax revenues are pledged for repayment of the RAN), and that the county treasurer has agreed to place in a special fund for the district. Such RANs, even if not considered "debt," are still reported as a fund liability on the financial statements, must be reported on the Schedule of Long-Term Liabilities on the F-196, and must be fully disclosed in the Notes to the Financial Statements.~~

~~Repayment of Short-Term Obligations~~

~~Under RCW 39.50.070, districts have the authority to create a "special fund" (or funds) to provide for the payments of principal and interest on those short-term obligations. Districts~~

~~wishing to create such a special fund will need to include the authority to create such a fund in the authorizing resolution and contact their county treasurer to set up the procedural requirements for establishing a separate fund within the fund that will be receiving the proceeds of the obligation. For financial reporting purposes, all special funds created in such a manner will be consolidated into the reporting fund that they are a part of. Additional disclosures in the Notes to the Financial Statements will also be required.~~

In Chapter 3, Beginning near Page 3-37: A new section for Anticipation Notes is written. The guidance For Revenue Anticipation Notes is significantly different from the 2025-26 guidance.

Anticipation Notes

Tax Anticipation Notes (TANs) and Bond Anticipation Notes (BANs) are short-term obligations that can be issued using the promise to repay the borrowed money from future inflows of financial resources. Revenue Anticipation Notes (RANs) are considered a rare practice for school districts in Washington state because the source of repayment would need to come from revenues, or earnings, generated from an enterprise service project or arrangement.

Anticipation Notes are reported as a liability in the fund that issued them using General Ledger 606 Anticipation Notes Payable. Districts that choose to issue Anticipation Notes need to be aware that this may result in a deficit fund balance: The fund will have a large liability that is not offset by an Other Financing Source or asset (because districts do not report capital assets on their financial statements.) Districts in such a situation should work with their ESD to prevent being required to budget receivables. All Anticipation Notes must be reported in the district's Schedule of Debt and Liabilities and in the Notes to the Financial Statements.

Tax Anticipation Notes (TANs)

A tax anticipation note allows the district to borrow money that will be repaid from future inflows from taxes that the district expects to collect. This includes monthly Apportionment, local levies, other taxes, or in-lieu of tax resources.

A TAN is reported under GAAP to be a liability of the fund that has received the proceeds. TANs are required to be repaid within six months of the end of the fiscal year in which it is issued (if tax exempt, the Internal Revenue Code further limits the term of the TAN to 13 months). TANs are a short-term liability of the district, and will always be shown as such on the financial statements. TANs that are outstanding at the time of the financial statements are reported in GL 606 Anticipation Notes Payable.

TANs are typically secured by the full faith, credit, and resources of the district. In the event insufficient taxes are collected to repay the TAN by the due date, the district will need to repay the TAN from other legally available sources.

Bond Anticipation Notes (BANs)

The second variety of short-term obligations is the Bond Anticipation Note, or BAN. Similar to TANs, a BAN allows the district to borrow money that will be repaid from future inflows of financial resources. Although BANs may be issued in anticipation of the sale of both nonvoted or voter-approved general obligation bonds, BANs are more frequently issued in anticipation of the sale of voter-approved bonds.

Typically, the district may issue a BAN in anticipation of selling the bonds once the election authorizing the bonds has been certified.

BANs must be backed by the full faith, credit, and resources of the district. In the event the bonds have not been sold in time to repay the BAN, the district will need to repay the note from any source that is legally available.

If all legal steps have been taken to refinance the BANs and the intent is supported by an ability to consummate refinancing the short-term notes on a long-term basis in accordance (GASB Cod.Sec.2200.182-.191), they should be reported as Other Financing Sources in the governmental fund statements. If the necessary legal steps and the ability to consummate the refinancing criteria have not been met, then the BANs should be reported as liabilities in the fund that issued them, typically the Capital Projects Fund, in General Ledger 606 Anticipation Notes Payable.

Relation to Debt Limit

The issuance of a TAN, or BAN is non-voted debt of the district. Accordingly, a district may not issue a TAN, or BAN (that is issued in anticipation of the issuance of an LGO bond) if the issuance would cause the district to exceed its statutory authority for issuing non-voted debt, which is 3/8 of 1 percent (0.00375) of the assessed value of the taxable property within the district. A BAN issued in anticipation of the issuance of voter-approved UTGO bonds must not exceed 5 percent of the assessed value of taxable property within the district.

Revenue Anticipation Notes (RANs)

Revenue anticipation notes, or RANs, are promises to pay a specified amount of money to the holder of the RAN at a future date, from specific revenue sources earned by the district involved in special projects that are identified in the RAN and authorizing resolution.

A RAN is not considered to be non-voted debt of the district because the RAN is only payable from non-tax resources deposited into and paid from a special fund. RANs may not be secured by the district’s taxing power or full faith, credit, and resources.

This type of obligation is not considered "debt" for debt limit purposes. This is known as the "special fund doctrine" which holds that any obligation that is payable only from non-tax money deposited into a special fund is an obligation of that special fund, not a general obligation, and therefore does not constitute debt for debt limit purposes. Districts choosing to issue a long-term RAN are cautioned to work closely with their bond counsel, financial advisor, or underwriter prior to issuing the RAN.

According to GAAP, a RAN is to be reported as a liability in the fund that receives the proceeds, regardless of the length of the maturity of the RAN. When a district issues a RAN, it records the amount of the principal in Account 606 Anticipation Notes Payable.

RANs may be issued with a maturity that exceeds one year. These issues are rare, and districts considering issuing a long-term RAN should consult with their bond counsel, financial advisor, or underwriter prior to issuing such a RAN. Even though such a RAN has a long-term focus, it is still reported as a liability in the fund receiving the proceeds, and not as an Other Financing Source.

A district may utilize RANs to purchase capital equipment. Districts that choose to issue RANs for the purpose of purchasing equipment need to be aware that this may result in a deficit fund balance: the fund will have a large liability that is not offset by an Other Financing Source or an asset (as districts do not report capital assets on their financial statements). Districts in such a situation should work with their ESD to prevent being required to budget receivables.

Repayment of Short-Term Anticipation Notes

Under RCW 39.50.070, districts have the authority to create a "special fund" (or funds) to provide for the payments of principal and interest on those short-term obligations. Districts wishing to create such a special fund will need to include the authority to create such a fund in the authorizing resolution and contact their county treasurer to set up the procedural requirements for establishing a separate fund within the fund that will be receiving the proceeds of the obligation. For financial reporting purposes, all special funds created in such a manner will be consolidated into the reporting fund that they are a part of. Additional disclosures in the Notes to the Financial Statements will also be required.

In Chapter 3, Near Page 3-41: A new section for Lines of Credit is written. The guidance includes new information regarding Registered Warrants.

Lines of Credit

A Line of Credit may be established with the county treasurer or other financial institutions. Lines of Credits created with financial institutions, are reported on the Schedule of Debt and Liabilities separately from Lines of Credit established with the County Treasurer which are identified as Registered Warrants.

For Lines of Credit with a financial institution, only the amount of credit utilized is reported on the Schedule of Debt and Liabilities. School districts must also disclose all Lines of Credit in the Notes to the Financial Statements.

For Registered Warrants with the County Treasurer, any warrants registered during the year are reported on the Schedule of Debt and Liabilities even if there is no year-end balance. The school districts must also disclose registered warrant activity that occurred during the year in the Notes to the Financial Statements.

In Chapter 3, Page 3-41: A new section for Loans and Debt obligations to Other Governments is written.

Loans and Debt Obligations to Other Governments

A loan or debt obligation to other Governments would consist of borrowing resources with required payment schedules. Other governments can include the federal government, out-of-state governments, Washington State agencies, and other local governments.

At year end, school districts must disclose loans and debt obligations to other Governments on the Schedule of Debt and Liabilities and in the Notes to the Financial Statements. Report contracts under the LOCAL program separately on the Schedule of Debt and Liabilities.

In Chapter 3, Beginning at Page 3-41: In the section Accounting and Budgeting for Conditional Sales Contracts and Long-Term Notes, new accounting guidance (**bolded** for emphasis in this document) is added to provide a clear direction to the reader.

Accounting and Budgeting for Conditional Sales Contracts and Long-Term Notes

Long-term conditional sales contracts or notes shall be reported at face (gross) value, instead of net of trade-in and other costs. **The school district recognizes the expenditure (debit Account 530), Program 97, Activity 85 (Debt Service Expenditures), and an Other Financing Sources (credit Account 965, Revenue 9500).** The fact that payment is made directly to a vendor on a district's behalf does not alleviate the need for fully reporting the transaction in the district’s accounting system.

In Chapter 3, Near Page 3-42: In the section Initial and Periodic Expenditures in Long-Term Conditional Sales Contract or Nonvoted Note Financing, guidance (**bolded** for emphasis in this document) is added to provide additional information to the reader.

Initial and Periodic Expenditures in Long-Term Conditional Sales Contract or Nonvoted Note Financing …

Financing through the use of a long-term conditional sales contract requires the school district recognize the expenditure (debit Account 530), Program 97, Activity 85 (Debt Service Expenditures), and an Other Financing Sources (credit Account 965, **Revenue 9500**) equal to **the total principal amount of the future payments due under the contract**. ~~the net present value of the minimum lease payments in governmental funds.~~ This initial equipment transaction must be budgeted accordingly.

Districts can transfer the cost of the periodic payments of these contractual obligations to the Program responsible for budgeting for the use of the items acquired. This is done though the Debit/Credit transfer process. The purpose of the Debit/Credit transfer shifts the cost of the contractual obligation to the Program responsible for the acquisition of the items. The Program would be obligated to budget for the annual contractual expenditures. See sample journal entries in Chapter 7.

In Chapter 3, Near Page 3-45: A new section Voted General Obligation Bonds is added to introduce the topic. A new section on Bond Refunding is added and old sections removed.

Voted General Obligation Bonds

Bond issues and bond refunding are common debt instruments for governments to obtain long-term financing. Review Chapter 11—Debt Service Fund for more information on Bond Issues and Refunding.

Bond Refunding

Proceeds from the sale of refunding (new) bonds are placed in the custody of the trust department of a bank through the county treasurer. The bank establishes an escrow account and invests the proceeds. The cash realized from the maturing investments, together with interest earned, is used to meet the debt service requirements of the refunded (old) bonds and to redeem the balance of the old bonds when they become callable or mature. The old debt is removed from the appropriate fund, and the new debt is added to the appropriate fund at the time the proceeds of the sale of the new bonds are paid to the trust department of a bank.

~~Regular Method of Advance Bond Refunding~~

~~In this method, the proceeds from the sale of refunding (new) bonds are placed in the custody of the trust department of a bank through the county treasurer. The bank establishes an escrow account and invests the proceeds. The cash realized from the maturing investments, together with interest earned, is used to meet the debt service requirements of the refunded (old) bonds and to redeem the balance of the old bonds when they become callable or mature. The old debt is removed from the appropriate fund and the new debt is added to the~~

~~appropriate fund at the time the proceeds of the sale of the new bonds are paid to the trust department of a bank.~~

~~Crossover Method of Advance Bond Refunding~~

~~This method provides for the sale of refunding (new) bonds whose proceeds are used to purchase certain investments that are placed in the custody of the trust department of a bank. The investments provide interest earnings that are used to pay interest on the refunding (new) bonds until the crossover date when the refunded (old) bonds are callable or mature. When the call date or maturity date arrives, the old bonds are redeemed with the resources in the escrow account. After the old bonds are redeemed, the source of revenue applicable to the old bonds is used to service the new bonds. The refunding (new) bonds are entered in the appropriate fund at the time they are sold. The refunded (old) bonds continue to be reported in the original fund until the crossover date at which time they are removed from the original fund.~~

In Chapter 3, Near Page 3-45: The section on Arbitrage is completely rewritten.

Arbitrage

Arbitrage is defined as earnings generated from borrowing in one market and investing in another market. When a school district issues bonds, they are borrowing in the tax-exempt bond market (lower rates) and investing in higher yielding taxable securities such as US Treasury securities. The IRS limits those investment earnings and requires that any earnings in excess of the bond borrowing rate be rebated to the Treasury, Hence the term arbitrage rebate. For example, if a district were to sell bonds at 3.00% and the rate of return on the investment of the bond proceeds over time averaged 4.00%, any earnings above 3.00% would be rebated to the Treasury.

Each year a liability may be reported on the Schedule of Debt and Liabilities with an appropriate increase or decrease as the district calculates the arbitrage rebate annually with a full reduction of this liability in the year of payment. When calculating the amount of the liability, it should be remembered that *excess* earnings of one year may be offset totally or in part by lesser earnings in a subsequent year. Therefore, the ending liability amount reported on the Schedule of Debt and Liabilities for the year should be only the current years calculated amount of the estimated future payment to the federal government. When the arbitrage rebate is paid to the federal government, the reduction of cash and recognition of expenditure would be reported in the appropriate fund. See sample journal entries in Chapter 7.

Arbitrage is a very complicated issue. Districts are advised to seek competent counsel concerning the calculation of the liability.

~~Arbitrage in government finance is generally defined as the process of investing tax-exempt bond proceeds in higher yielding taxable securities with the resulting interest revenues exceeding the interest costs.~~

~~The Tax Reform Act of 1986 requires that issuers of tax-exempt debt comply with the arbitrage yield restrictions and the ultimate rebate requirements of any excess earnings in order to maintain the tax-exempt status of the debt instrument. The arbitrage yield restrictions limit the retainable earnings from debt issuance proceeds to the yield rate of the debt instrument issued. Any excess earnings are to be rebated or paid to the U.S. Treasury. These arbitrage rebate requirements are in addition to other pre-existing restrictions that can make a debt issue taxable.~~

~~The Treasury Department's arbitrage rules and their application extend far beyond the issuance of general obligation and revenue bonds and notes. Part of the regulation is the requirement that installment purchase agreements of state and local governments are also included and subject to the same limitations. These purchase arrangements go by many names: tax-exempt leases, municipal leases, installment sales, lease-purchase agreements, conditional sales contracts, certificates of participation (COPs), and lease-to-ownership agreements.~~

~~Arrangements such as these, coupled with other borrowings or issues, could put a district over the small issuer threshold and subject other borrowings to the rebate calculations and penalties.~~

~~Arbitrage rebate is a tax and should be shown as an expenditure like any other tax. Arbitrage rebate is an income tax at a 100 percent marginal rate.~~

~~Whether the arbitrage liability is probable or only possible will depend on the circumstances of each case. If the financial report preparer believes that it is probable that an asset has been impaired, or a liability incurred, and the amount of the liability can be reasonably estimated, then a charge to current operating expenditures is appropriate.~~

~~The liability represents a claim against the financial resources of the school district. The current portion of the liability is represented in the government that has received the investment proceeds. The current portion is the amount that would be paid with expendable available financial resources regardless of when the amount is due. The amount of the liability is the current value of the future payable and represents a portion of the interest income of the fund (that amount represented as an excess over what the investments would have produced if invested at the issued security net rate).~~

In Chapter 3, Near Page 3-46: General information on "Leases" and "SBITAs" is added to the section Leases or Leases with Options to Purchase. An additional note is added to direct the reader to find information on "Leases", "SBITAs", and "Public-Private Partnerships" in Appendix B.

Leases or Leases with Option to Purchase ...

Subscription-Based Information Technology Arrangements, or SBITAs are contractual obligations that result in the right-to-use subscription assets (intangible assets) for a period of time greater than a year. The accounting treatment is similar to Leases.

Lease and SBITA liabilities are reported together under the Leases category on the Schedule of Debt and Liabilities.

Additional accounting guidance for Leases, SBITAs, and other contractual obligations such as Public-Private Partnership, Service Concession Arrangements, and Availability Payment Arrangements is provided in Appendix B – Additional Accounting Guidance.

In Chapter 3, Beginning near Page 3-46: The sections on "Leases", "SBITAs", and "Public-Private Partnerships" are removed from Chapter 3 and moved to Appendix B —Additional Accounting Guidance. No changes were made in the guidance.

- **~~Accounting for Leases~~ ...** (The section is moved to Appendix B.)
- **~~Accounting for Subscription-Based Information Technology Arrangements (SBITAs)~~ ...** (The section is moved to Appendix B.)
- **~~Public-Private & Public-Public Partnerships and Availability Payment Arrangements~~** ... (The section is moved to Appendix B.)

In Chapter 3, Near Page 3-52: Additional legal references (**bolded** for emphasis in this document), are added in the section on Interfund Loans.

Interfund Loans ...

- For School Districts on binding conditions **pursuant to RCW 28A.505.110 or under enhanced financial oversight pursuant to RCW 28A.315.221** and subject to additional approval from OSPI related to the binding conditions, loans are allowable from the Transportation Vehicle Fund to specific funds:

In Chapter 3, Near Page 3-53: Additional guidance to mitigate specific loan interest is added in the section on Interfund Loans.

- When school districts in binding conditions pursuant to RCW 28A.505.110 or under enhanced financial oversight pursuant to RCW 28A.315.221 take a temporary interfund loan from its capital projects fund, the loaning capital projects fund may not charge interest on the amounts loaned.

In Chapter 3, Near Page 3-53: An additional disclosure requirement (**bolded** for emphasis in this document), is added in the section on Interfund Loans.

- Financial reports, **including monthly financial reports provided to the board of directors** of the district, **must** specify all outstanding interfund loans and all interest charges involved. The interfund loan shall not be used to balance the budget of the borrowing fund.

In Chapter 3, Near Page 3-55: New guidance is added to the section Interfund Transfers. The authority for the guidance is pursuant to RCW 28A.160.130, RCW 28A.160.200, and RCW 28A.315.221.

Interfund Transfers …

- Transportation Vehicle Fund (TVF) depreciation payments from fully depreciated vehicles may only be transferred for use to another fund with OSPI approval and pursuant to 28A.160.200 and 28A.160.130. In order to receive OSPI approval:
  - A school district must submit a petition for permission that clearly demonstrates a reduced student population, or the transportation needs of the district no longer require the same number of vehicles. This evidence must support that the district is unlikely to need the replacement vehicle in the future. The petition must be signed by the school district superintendent.
  - The school board must review the petition and approve a resolution to forgo the transportation vehicle replacement due to changing student populations or other transportation needs.
  - The superintendent of public instruction will only approve the petition if it determines that the reduction in student transportation vehicles is appropriate due to forecasted declines in student enrollment or other relevant factors affecting the district's transportation program.
- Transfers from the Transportation Vehicle Fund (TVF) to another fund are only allowed for school districts under enhanced financial oversight pursuant to RCW 28A.315.221, and only with OSPI approval. In order to receive OSPI approval:

- The school district must petition the superintendent of public instruction for permission to transfer the TVF resources to another fund. The petition must be signed by the school district superintendent.
- The special administrator appointed to oversee, and carryout financial conditions imposed on the district must recommend the interfund transfer.
- The school board must approve a resolution authorizing the transfer or a resolution to convert temporary interfund loans from the TVF to a permanent transfer with no requirement for repayment.
- The office of the superintendent of public instruction may only approve the petition if the transfer is not detrimental to any function or project for which the TVF was established.

In Chapter 3, Near Page 3-55: Additional guidance is provided in the section on Interfund Transfers directing the reader to review addition guidance on the topic in Chapter 10.

Transfer moneys from the Capital Projects Fund to the General Fund for certain expenditures associated with

- **Review additional transfer guidance provided in Chapter 10, in the section "*Ongoing Technology and Maintenance Expenditures and Transfers*".**

In Chapter 3, Near Page 3-56: An additional legal reference (**bolded** for emphasis in this document), is added in the "residual equity transfer" topic in the section Interfund Transfers.

- The Debt Service Fund should remain open for the established purpose of subsequent tax collections (RCW 28A.320.330(3)) **and (RCW 84.52.025)**.

CHAPTER 4 – General Ledger Accounts — Changes

In Chapter 4, Near Page 4-2: In the Introduction section, guidance (**bolded** for emphasis in this document), is removed.

INTRODUCTION …

Capital asset and long-term debt activity should continue to be accounted for in the general ledger and maintained in "long-term debt" and "capital assets" holding accounts. ~~**formerly known as the general long-term debt account group (GLTDAG) and general fixed asset account group (GFAAG). The concept of the account groups remains although, for consistency with GAAP, the account group titles are no longer used.**~~

In Chapter 4, Near Page 4-12: Two bullet-points listed under GL 250 Cash with Fiscal Agent are obsolete and removed.

250 Cash with Fiscal Agent …

- ~~Debit to record the amount placed on deposit by the county treasurer with the fiscal agent bank in a crossover bond refunding.~~
- ~~Credit to record the defeasance of the old bonds at the crossover date in a crossover advance bond refunding. (Contra entry: debit Account 535 Other Financing Uses—Crossover Defeasance.)~~

In Chapter 4, Near Page 4-17: Two bullet-points listed under GL 470 Amount Available in Debt Service Fund are obsolete and removed.

470 Amount Available in Debt Service Fund …

- ~~Debit with the other financing source in the Debt Service Fund for the cash from the sale of new bonds placed with the fiscal agent in the crossover method of bond refunding. (Contra entry: credit Account 480 Amount to be Provided for Debt Retirement.)~~
- ~~Credit with the other financing use amount in the Debt Service Fund when the old bonds are removed in the crossover method of bond refunding.~~

In Chapter 4, Near Page 4-18: A bullet-point listed under GL 480 Amount to be Provide for Debt Retirement is modified. The crossover language is obsolete and removed.

480 Amount to be Provided for Debt Retirement …

- Credit with the proceeds of the sale of new bonds placed with a fiscal agent in a ~~crossover~~ refunding. (Contra entry: debit Account 470 Amount Available in Debt Service Fund.) ~~Also, in a crossover refunding at the time of the crossover, credit with any remaining difference between the principal amount of the old bonds defeased and the amount debited to Account 470 Amount Available in Debt Service Fund when the proceeds of the new bonds were placed with a fiscal agent.~~

In Chapter 4, Near Page 4-24: In GL 535 Other Financing Uses, guidance is deleted and an bullet-point removed. The crossover language is obsolete and removed.

535 Other Financing Uses (Budget and Actual) …

This account is used to record payments to the refunded bond escrow agent from resources provided by the new debt in a ~~regular advance~~ bond ~~debt~~ refunding and debt issuance discounts. ~~, and the defeasance of the old bonds in a crossover refunding.~~ This account is also used to summarize budgetary actions for estimated long-term financing and debt extinguishments. …

- Debit with payments to a refunded bond escrow agent in a ~~regular advance~~ bond ~~debt~~ refunding. (Contra entry: credit Account 965 Other Financing Sources, Revenue Account 9600, Sale of Refunding Bonds or Account 240 Cash on Deposit with County Treasurer) if the school district receives the proceeds of the refunding bond sale.
- ~~Debit to record the defeasance of the old bonds in a crossover refunding. (Contra entry: credit Account 250 Cash with Fiscal Agent.)~~

In Chapter 4, Near Page 4-28: Guidance is added to GL 605 Accrued Salaries to help describe the accounting treatment for Compensated Absences.

605 Accrued Salaries …

Also include the current portion of the vacation and sick leave that has been used but is unpaid at the end of the period. This amount is normally expected to be liquidated with expendable available financial resources and should be recorded in the fund that will liquidate the liability. Employees' unused leave balances are reported as Compensated Absences and included on the Schedule of Debt and Liabilities.

~~Employees leave balances which are not being paid out with current available resources would be classified as Compensated Absences and included on the Schedule of Debt and Liabilities.~~

In Chapter 4, Near Page 4-28: Guidance is added to GL 606 Anticipation Notes Payables to help describe the accounting treatment for Anticipation Notes.

606 Anticipation Notes Payable …

Review the Chapter 3 section *Anticipation Notes* for additional guidance. All Anticipation Notes must be reported in the district's Schedule of Debt and Liabilities and Notes to the Financial Statements.

In Chapter 4, Near Page 4-32: A new section is created, titled Long-Term Debt Account Group. This segregates GL codes in the 700 series that are only disclosed in the Schedule of Debt and Liabilities. Also, the debt schedule is renamed from the "Schedule of Long-Term Liabilities" to the "Schedule of Debt and Liabilities". The new title replaces the old title throughout the Accounting Manual.

Long-Term Debt Account Group

- **Schedule of Debt and Liabilities**
- ~~**Schedule of Long-Term Liabilities**~~

In Chapter 4, Beginning near Page 4-36: GL Code 719 is identified as BANs and TANs Anticipation Notes. RANs are deleted from this GL code and moved to a new GL code. GL 720 is specific for Lines of Credit with financial institutions. Guidance is added to inform the user of financial disclosure requirements.

719 Bond and Tax Anticipation Notes

This account is used to record the amount of principal due on Tax Anticipation Notes (TANs), or Bond Anticipation Notes (BANs) from which the school district received moneys in exchange for a promise to make repayment at a later date. Repayments come from anticipated tax collections (TANs), or bond proceeds (BANs). All Anticipation Notes must be reported in the district's Schedule of Debt and Liabilities and Notes to the Financial Statements.

720 Lines of Credit

If the district has a line of credit with a financial institution, only the amount that has actually been used is reported on the Schedule of Debt and Liabilities. The amount should not include any interest charges. A liability in the fund responsible should be recorded for amounts that would normally be liquidated with current financial resources. Lines of Credits created with financial institutions, are reported separately from Registered Warrants established with the County Treasurer.

In Chapter 4, Beginning near Page 4-37: New General Ledger Account Codes are created to identify types of debt. GL 721 is for Loans and Debt Obligations to Other Governments. GL 722 is for Arbitrage. GL 723 is for Registered Warrants. GL 724 is for Revenue Anticipation Notes (RANs). Bullet-points, (not shown), provide accounting instructions typically included in other GL codes.

721 Loans and Debt Obligations to Other Governments

Account balances are to be included on the Schedule of Debt and Liabilities. Record the unmatured principal of loans and other obligations to the federal government, out-of-state governments, Washington State agencies, and other local governments (except LOCAL).

722 Arbitrage

Arbitrage account balances should not be recognized in the financial statements as an expenditure until the rebatable amounts are actually paid to the federal government.

Each year a liability may be reported on the Schedule of Debt and Liabilities with an appropriate increase or decrease as the district calculates the arbitrage rebate annually with a full reduction of this liability in the year of payment. When calculating the amount of the liability, it should be remembered that *excess* earnings of one year may be offset totally or in part by lesser earnings in a subsequent year. Therefore, the ending liability amount reported on the Schedule of Debt and Liabilities for the year should be only the current years calculated amount of the estimated future payment to the federal government. When the arbitrage rebate is paid to the federal government, the reduction of cash and recognition of an expenditure would be reported in the appropriate fund.

723 Registered Warrants

If the district has insufficient funds for the redemption of warrants, the district may contract with the County Treasurer for a mutually agreed upon period of time to cover insufficient funds. Regardless of whether there are Registered Warrants at the end of the year, every instance that occurs during the year is reported on the Schedule of Debt and Liabilities. The amount should not include any interest charges.

724 Revenue Anticipation Notes

This account is used to record the amount of principal due on Revenue Anticipation Notes (RANs) from which the school district received money in exchange for a promise to make repayment at a later date. Repayments come from anticipated revenues, or earnings, from specific sources earned by the district involved in special projects. A RAN is not considered non-voted debt of the district because a RAN is only payable from non-tax resources deposited into and paid from a special fund. RANs must be reported in the district's Schedule of Debt and Liabilities and Notes to the Financial Statements.

In Chapter 4, Beginning near Page 4-45: The guidance in GL Code 821, Restricted for Carryover of Restricted Revenue, is modified. Certain categorical programs which do not provide for carryover are removed from the guidance and new guidance, (**bolded** for emphasis in this document), is added.

821 Restricted for Carryover of Restricted Revenue

This account is provided as a means for accumulating and restricting fund balance for future uses. All districts must identify a restriction of fund balance at year-end for amounts determined to be unspent carryover funds with restricted use. This would include the following state funding streams: Special Education, **CTE–**Vocational Funds, Learning Assistance Program, ~~Transitional Bilingual, Highly Capable, Student Transportation,~~ State Institutions, Fire District, **Professional Learning Days—State (Activity 34)**, and other such unspent funds as may be subject to carryover; **and except those restricted resources required to be accounted for in another general ledger account**.

In Chapter 4, Beginning near Page 4-50: GL Code 840 is open for use in the Transportation Vehicle Fund. Because GL 340 Prepaid Items is available for use in the TVF, school districts need a non-spendable fund balance account open for use in the TVF.

840 Nonspendable Fund Balance—Inventory and Prepaid Items

Applicable Fund: (GF, ASB, CPF, TVF)

CHAPTER 5 – Revenues and Other Financing Sources — Changes

In Chapter 5, Pages 5-6 and 5-14 : A new Resource Code 2109 Tuition and Fees–Transition to Kindergarten is added to the Chart of Accounts.

	Account	Title	GFS	GFL	DSF	CPF	TVF
			10	11			
	2109	Tuition and Fees—Transition to Kindergarten	na		na	na	na

2109 Tuition and Fees—Transition to Kindergarten

Applicable Fund: (GFL)

Record revenue from tuition and fees to attend or participate in a transition to kindergarten program.

In accordance with ESSB 6260, school districts, charter schools, and state-tribal education compact schools are authorized to charge sliding scale fees for enrollment in a transition to kindergarten program, except for:

- students who are eligible for but not yet placed in the early childhood education and assistance program or the head start program,
- or for children with disabilities entitled to a free appropriate public education in accordance with the federal individuals with disabilities education act and chapter 28A.155 RCW.

In Chapter 5, Pages 5-8 and 5-31: Resource Code 6109 Special Purpose–Transition to Kindergarten is being removed.

	Account	Title	GFS	GFL	DSF	CPF	TVF
			10	11			
	~~6109~~	~~Special Purpose—Transition to Kindergarten~~	na		na	na	na

~~6109 Special Purpose—Transition to Kindergarten~~

~~Applicable Fund: (GFL)~~

~~Record resources received from OSPI for allowable costs for the Transition to Kindergarten programs operated by the district meeting all eligibility requirements. These resources are considered enrichment resources. The funding provided must be expended only for the~~

~~support of operating a Transition to Kindergarten Program and best practices for site readiness of facilities used for the program. (Reference: SSHB 1550, Chapter 28A.300 RCW, RCW 28A.225.160, and 43.88C010)~~

In Chapter 5, on various pages: The Resource Codes used for ESSER, ARP, and other Federal Stimulus programs related to COVID 19 relief are being removed from the Accounting Manual. The period of performance to utilize these federal resources has expired.

	Account	Title	GFS	GFL	DSF	CPF	TVF
			10	11			
	~~6111~~	~~Special Purpose—SLFRF~~		na	na		na
	~~6211~~	~~Special Purpose—SLFRF~~		na	na		na
	~~6311~~	~~Special Purpose—SLFRF~~		na	na		Na
	~~6112~~	~~Special Purpose—ESSER II~~		na	na		na
	~~6212~~	~~Special Purpose—ESSER II~~		na	na		na
	~~6312~~	~~Special Purpose—ESSER II~~		na	na		Na
	~~6113~~	~~Special Purpose—ESSER III~~		na	na		na
	~~6213~~	~~Special Purpose—ESSER III~~		na	na		na
	~~6313~~	~~Special Purpose—ESSER III~~		na	na		Na
	~~6114~~	~~Special Purpose—ESSER III–Supplemental—Learning Loss~~		na	na	na	na
	~~6214~~	~~Special Purpose—ESSER III–Supplemental—Learning Loss~~		na	na	na	na
	~~6314~~	~~Special Purpose—ESSER III–Supplemental—Learning Loss~~		na	na	na	Na
	~~6118~~	~~Special Purpose—Reserved G~~		na	na	na	na
	~~6218~~	~~Special Purpose—Reserved G~~		na	na	na	na
	~~6318~~	~~Special Purpose—Reserved G~~		na	na	na	Na
	~~6119~~	~~Special Purpose—CARES Act—Other~~		na	na		na
	~~6219~~	~~Special Purpose— CARES Act—Other~~		na	na		na
	~~6319~~	~~Special Purpose— CARES Act—Other~~		na	na		Na
	~~6123~~	~~Special Education—ARP—IDEA~~		na	na	na	na
	~~6223~~	~~Special Education—ARP—IDEA~~		na	na	na	na
	~~6323~~	~~Special Education—ARP—IDEA~~		na	na	na	Na

~~6111 – 6211 – 6311 Special Purpose—SLFRF~~

~~Record resources received from OSPI for allowable costs as provided. Sections 602(c)(1)(C) and 603(c)(1)(C) of the Social Security Act provide that SLFRF funds may be used ''for the provision of government services to the extent of a reduction in revenue to school districts due to the COVID–19 public health emergency". School districts are deemed beneficiaries of SLFRF resources rather than subrecipients. Beneficiaries are not subject to an audit pursuant to the~~

~~Single Audit Act and 2 CFR part 200, subpart F regarding audit requirements. The use of SLFRF benefits provided to school districts are not reported on the Schedule of Expenditures of Federal Awards (SEFA). Time and Effort reporting is not required. However, additional expenditure reporting to OSPI may be necessary via an ad-hoc OSPI survey in the future. Enrollment stabilization (SLFRF) amounts allocated to school districts are not part of the state's basic education, but SLFRF may be used for any allowable cost within any of the programs (SHB 1590; Sec. 2, (3)). See 6211 for this type of revenue received directly from the federal agency. See 6311 for this type of revenue received through an agency other than OSPI.~~

~~6112 – 6212 – 6312 Special Purpose—ESSER II~~

~~Record federal resources provided by the Elementary and Secondary School Emergency Relief II (ESSER II) funds under the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act. Districts should track allowable expenditures related to this resource in Program 12, Districts submit expenditure claims and attest that costs are an allowable use of the funds. See 6212 for this type of revenue received directly from the federal agency. See 6312 for this type of revenue received through an agency other than OSPI. (Ref. Coronavirus Response and Relief Supplemental Appropriations Act, 2021. (CRRSA) Public Law 116-260; Section 313)~~

~~6113 – 6213 – 6313 Special Purpose—ESSER III~~

~~Record federal resources provided by the American Rescue Plan Act of 2021; SEC. 2001. Elementary and Secondary School Emergency Relief Fund. Districts should track allowable expenditures related to this resource in Program 13, Districts submit expenditure claims and attest that costs are an allowable use of the funds. See 6213 for this type of revenue received directly from the federal agency. See 6313 for this type of revenue received through an agency other than OSPI. (Ref. Section 2001 of the American Rescue Plan Act (ARP Act) of 2021)~~

~~6114 – 6214 – 6314 Special Purpose—ESSER III—Supplemental—Learning Loss~~

~~Record federal resources provided by the American Rescue Plan Act of 2021; Sec. 2001 (e)(1), the American Rescue Plan act of 2021, P.L. 117-2 for subgrants to local education agencies to address learning loss. Districts should track allowable expenditures related to this resource in Program 14. Districts submit expenditure claims and attest that costs are an allowable use of the funds. See 6214 for this type of revenue received directly from the federal agency. See 6314 for this type of revenue received through an agency other than OSPI. (Ref. Section 2001 (e)(1) of the American Rescue Plan Act (ARP Act) of 2021)~~

~~6118 – 6218 – 6318 Special Purpose—Reserve G~~

~~This is a unique revenue code reserved for special funding purposes as assigned by OSPI. When designated for use, districts should track allowable expenditures related to this resource in Program 18. See 6218 for this type of revenue received directly from the federal agency. See 6318 for this type of revenue received through an agency other than OSPI.~~

~~6119 – 6219 – 6319 Special Purpose—CARES Act—Other~~

~~Record resources received through OSPI from federal grants to assist school districts in providing services to address mitigation strategies as provided. Revenue 6119 is being used to report the DOH Learn to Return funds school districts are receiving on the 1197 Apportionment Report. The DOH Learn to Return program is a Cares Act award from the Center for Disease Control (CDC). The Assistance Listing Number (ALN/CFDA) is 93.323. See 6219 for this type of revenue received directly from the federal agency. See 6319 for this type of revenue received through an agency other than OSPI.~~

~~6123 – 6223 – 6323 Special Education—ARP—IDEA~~

~~Record revenue received through OSPI from federal grants to assist school districts in providing supplemental services imposed by the requirement to provide a free appropriate public education to all eligible special education students. Include special education safety net awards. See 6223 for this type of revenue received directly from the federal agency. See 6323 for this type of revenue received through an agency other than OSPI. (Reference: Individuals with Disabilities Education Act (IDEA) American Rescue Plan Act, HR 1319 – ARP Act: Sec. 2014.)~~

In Chapter 5, on various pages: The federal revenue codes used for the Federal Reading First Program and the Math and Science Professional Development are obsolete and being removed.

	Account	Title	GFS	GFL	DSF	CPF	TVF
			10	11			
	~~6154~~	~~Reading First~~		na	na	na	na
	~~6254~~	~~Reading First~~		na	na	na	na
	~~6354~~	~~Reading First~~		na	na	na	na
	~~6162~~	~~Math and Science—Professional Development~~		na	na	na	na
	~~6262~~	~~Math and Science—Professional Development~~		na	na	na	na
	~~6362~~	~~Math and Science—Professional Development~~		na	na	na	na

~~6154 – 6254 – 6354 Reading First~~

~~Record revenue from federal grants received through OSPI to assist school districts in establishing K–3 reading programs that are based on scientifically based reading research, to provide professional development to teachers in using scientifically based reading research, programs, and assessments, and to strengthen coordination among schools, early literacy, and family literacy programs. See 6254 for this type of revenue received directly from the federal~~

~~agency. See 6354 for this type of revenue received through an agency other than OSPI. (Reference: Every Student Succeeds Act, Title I, Part B(1).)~~

~~6162 – 6262 – 6362 Math and Science—Professional Development~~

~~Record revenue from federal grants received through OSPI to assist school districts to participate in professional development activities that increase the subject matter knowledge and instructional skills of science, mathematics, and technical education with respect to achievement in science, mathematics, reading to learn, and technical writing. See 6262 for this type of revenue received directly from the federal agency. See 6362 for this type of revenue received through an agency other than OSPI. (Reference: Every Student Succeeds Act, Title II, Part B Mathematics and Science Partnerships.)~~

In Chapter 5, on various pages: Revenue Codes 6176, 6276, and 6376 are no longer open for use in the Capital Projects Fund. References to the CPF are either "n/a" or deleted.

	Account	Title	GFS	GFL	DSF	CPF	TVF
	6176	Targeted Assistance		na	na	**na**	na
	6276	Targeted Assistance		na	na	**na**	na
	6376	Targeted Assistance		na	na	**na**	na

6176 – 6276 – 6376 Targeted Assistance

Applicable Fund: (GFS, **~~CPF~~)**

In Chapter 5, near page 5-74: Resource Code 9900 is only applicable to the General Fund, Capital Projects Fund, and Debt Service Fund pursuant to RCW 28A.150.270.

9900 Transfers—Redirection of Apportionment

Applicable Fund: (GFS, CPF, DSF, ~~TVF~~)

Record the receipt of nonreciprocal redirections of apportionment from the General Fund to another fund. For guidance on nonreciprocal interfund transfers, refer to Chapter 3 and the section titled Interfund Activities.

9000	**Other Financing Sources (GL 965)**	**GFS**	**GFL**	**DSF**	**CPF**	**TVF**
9900	Transfers – Redirection of Apportionment		na			**na**

CHAPTER 6 – General Fund Expenditure Accounts — Changes

In Chapter 6, on various pages: The Federal Stimulus Programs related to COVID 19 relief are being removed.

~~**Federal Special Purpose Funding**~~			
~~Program~~	~~Description~~	~~Revenues~~	~~Description~~
~~11~~	~~Special Purpose—SLFRF~~	~~6111; 6211; 6311~~	~~CSLFRF ACT~~
~~12~~	~~Special Purpose—ESSER II~~	~~6112; 6212; 6312~~	~~CRRSA ACT~~
~~13~~	~~Special Purpose—ESSER III~~	~~6113; 6213; 6313~~	~~ARP ACT~~
~~14~~	~~Special Purpose—ESSER III—Supplemental—Learning Loss~~	~~6114; 6214; 6314~~	~~ARP ACT~~
~~18~~	~~Special Purpose—Reserve G~~	~~6118; 6218; 6318~~	
~~19~~	~~Special Purpose—CARES Act—Other~~	~~6119; 6219; 6319~~	~~CARES ACT~~
~~23~~	~~Special Education—ARP—IDEA~~	~~6123; 6223; 6323~~	~~ARP ACT~~

~~10 Federal Special Purpose Funding~~

~~Responding to the severe health and economic impacts created by the COVID pandemic, the federal government has passed several aid packages to respond to the coronavirus. Program expenditure type 10 includes the series of programs to provide relief services to the education systems; and to protect and enhance the student learning environment. The aid packages contain multiple programs. School districts are required to track allowable costs separately in their Chart of Accounts and not comingle or mix the grant awards.~~

~~11 Special Purpose—SLFRF~~

~~Record expenditures for allowable costs as provided. Sections 602(c)(1)(C) and 603(c)(1)(C) of the Social Security Act provide that SLFRF funds may be used ''for the provision of government services to the extent of a reduction in revenue to school districts due to the COVID–19 public health emergency". School districts are deemed beneficiaries of SLFRF resources rather than subrecipients. Beneficiaries are not subject to an audit pursuant to the Single Audit Act and 2 CFR part 200, subpart F regarding audit requirements. The use of SLFRF benefits provided to school districts are not reported on the Schedule of Expenditures of Federal Awards (SEFA). Time and Effort reporting is not required. However, additional~~

~~expenditure reporting to OSPI may be necessary via an ad-hoc OSPI survey in the future. Enrollment stabilization (SLFRF) amounts allocated to school districts are not part of the state's basic education, but SLFRF may be used for any allowable cost within any of the programs (SHB 1590; Sec. 2, (3)).~~

~~12 Special Purpose—ESSER II~~

~~Record expenditures for allowable costs pursuant to the Elementary and Secondary School Emergency Relief II (ESSER II) funds under the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act. LEAs my use federal ESSER II funds for the same activities allowable under the federal guidance for ESSER I. This includes, but is not limited to activities authorized by ESSA, IDEA, Carl D Perkins CTE Act, McKinney-Vento, and other activities necessary to maintain the operation of and continuity of services in the LEA.~~

~~13 Special Purpose—ESSER III~~

~~Record expenditures for allowable costs pursuant to the Elementary and Secondary School Emergency Relief III (ESSER III) funds under the American Rescue Plan Act of 2021; SEC. 2001, Elementary and Secondary School Emergency Relief Fund. LEAs may use federal ESSER III funds for the same activities allowable under the federal guidance for ESSER II. This includes, but is not limited to activities authorized by ESSA, IDEA, Carl D Perkins CTE Act, McKinney-Vento, and other activities necessary to maintain the operation of and continuity of services in the LEA.~~

~~14 Special Purpose—ESSER III—Supplemental—Learning Loss~~

~~Record expenditures for allowable costs pursuant to the Elementary and Secondary School Emergency Relief III (ESSER III) funds under the American Rescue Plan Act of 2021; SEC. 2001. School districts shall reserve not less than 20% of such funds to address learning loss through the implementation of evidence-based interventions, such as summer learning or summer enrichment, extended day, comprehensive afterschool programs, or extended school year programs, and ensure that such interventions respond to students' academic, social, and emotional needs and address the disproportionate impact of the coronavirus on the student subgroups described in section 1111(b)(2)(B)(xi) of the Elementary and Secondary Education Act of 1965 (20 U.S.C.6311(b)(2)(B)(xi)); each major racial and ethnic group, children from low-income families, children with disabilities, English learners, gender, migrant students, students experiencing homelessness, and children and youth in foster care.~~

~~19 Special Purpose—CARES Act—Other~~

~~This program will be used to report expenditures incurred on various CARES Act aid packages provided to school districts. At this time, school districts will use Program 19 to report~~

~~expenditures on the~~ DOH Learn to Return ~~program (ALN 93.323) and the~~ FCC ~~Emergency Connectivity Fund (ALN 32.009)~~.

~~The Program 19 Expenditure Matrix illustrated in Appendix A will include most activity functions. However, districts must take note of individual award's allowable costs parameters and budget accordingly.~~

~~23 Special Education—ARP—IDEA—Federal~~

~~Record expenditures for allowable costs pursuant to the Elementary and Secondary School Emergency Relief III (ESSER III) funds under the American Rescue Plan Act of 2021; SEC. 2014, Elementary and Secondary School Emergency Relief Fund. LEAs shall use ARP—IDEA resources for special education excess cost expenditures allowable under the Individuals with Disabilities Education Act (IDEA).~~

In Chapter 6, on various pages: Obsolete Federal Programs related to Reading First and Math & Science Professional Development are being removed.

Compensatory Education Instruction			
~~54~~	~~Reading First—Federal~~	~~6154; 6254; 6354~~	~~Reading First~~
~~62~~	~~Math and Science—Professional Development—Federal~~	~~6162; 6262; 6362~~	~~Math and Science—Professional Development~~

50–60 Compensatory Education Instruction

~~54 Reading First—Federal~~

~~Record expenditures from federal grants to assist school districts in establishing K–3 reading programs that are based on scientifically based reading research, to provide professional development to teachers in using scientifically based reading research, programs, and assessments, to strengthen coordination among schools, early literacy, and family literacy programs. (Reference: No Child Left Behind, Title I, Part B [1].)~~

~~62 Math and Science—Professional Development—Federal~~

~~Record expenditures from federal grants to assist school districts to participate in professional development activities that increase the subject matter knowledge and instructional skills of science, mathematics, and technical education with respect to achievement in science, mathematics, reading to learn, and technical writing.~~

In Chapter 6, Near page 6-30: Activities 11 and 12 are modified, providing guidance (**bolded** for emphasis in this document), to distinguish election fees by type and where the fees should be charged.

11 Board of Directors …

Include such items as expenditures for board memberships, audits, elections **of school board members,** legal services, judgments not covered by insurance, census, and, as provided by RCW 36.70.015 for regional planning.

~~Election costs for successful bonds and levies for capital projects may be paid from the Capital Projects Fund. The Capital Projects Fund may reimburse election costs for unsuccessful levies paid from the General Fund if the levy is passed within the same fiscal year. The Capital Projects Fund may also reimburse election costs for prior unsuccessful bond elections paid from the General Fund to the extent such reimbursement complies with the federal tax code.~~

12 Superintendent's Office

This activity relates to districtwide administrative responsibility. It consists of general administration and superintendent's office. **Include election costs for bonds and levies in this activity.**

Election costs for successful bonds and levies for capital projects may be paid from the Capital Projects Fund. The Capital Projects Fund may reimburse election costs for unsuccessful levies paid from the General Fund if the levy is passed within the same fiscal year. The Capital Projects Fund may also reimburse election costs for prior unsuccessful bond elections paid from the General Fund to the extent such reimbursement complies with the federal tax code.

In Chapter 6, Near page 6-66: Election Fees, NCES Code 7311 is modified, providing guidance to distinguish election fees by type.

7311 Election Fees

Services in support of School Board authorized elections. Use Activity 11, Board of Directors, to record school board election fees. Use Activity 12, Superintendent's Office, to record election fees associated with bonds and levies.

CHAPTER 7 – General Journal Entries — Changes

In Chapter 7, Near page 7-53: A series of adjusting journal entries are added for Arbitrage Rebate.

ABRITRAGE REBATE

Review the Chapter 3 section *Arbitrage* when conditions apply.

General Ledger	Subsidiary Ledger	Account Title	Applicable Fund	Debit	Credit
861		Restricted from Bonds	Decrease	$XXX	
835		Restricted for Arbitrage Rebate	Increase		$XXX
When the calculation indicates that arbitrage is due. Keep adjusting GL 861 and GL 835 (up or down) as the calculation indicates. Bond issues can be separated by sub-coding.					
General Ledger	Subsidiary Ledger	Account Title	Applicable Fund	Debit	Credit
835		Restricted for Arbitrage Rebate	Decrease	$XXX	
861		Restricted from Bonds	Increase		$XXX
To adjust fund balance accounts when payment is due (90% due to the IRS after fifth year). Need to increase GL 861 because the A/P expenditure to Source Code 1 will decrease GL 861.					
General Ledger	Subsidiary Ledger	Account Title	Applicable Fund	Debit	Credit
530	93–1	Expenditure, Arbitrage Rebate, Bond Source	Increase	$XXX	
686		Arbitrage Rebate Payable – (or)	Increase		$XXX
601		Accounts Payable	Increase		$XXX
When the Accounts Payable is due, the expenditure will close to GL 861 and decrease GL 861. The payable can be posted to GL 686 but will more likely be posted to GL 601 instead.					
General Ledger	Subsidiary Ledger	Account Title	Applicable Fund	Debit	Credit
686		Arbitrage Rebate Payable – (or)	Decrease	$XXX	
601		Accounts Payable	Decrease	$XXX	
240		Cash on Deposit	Decrease		$XXX
When the payment is made to the IRS: (90% due to the IRS after the fifth year.) As noted above, the liability account used is decreased (either GL 686 or GL 601) depending on where the liability was originally posted.					

General Ledger	Subsidiary Ledger	Account Title	Applicable Fund	Debit	Credit
686		Arbitrage Rebate Payable (or)	Decrease	$XXX	
601		Accounts Payable	Decrease	$XXX	
240		Cash on Deposit	Decrease		$XXX
The final 10% payment is due and payable to the IRS 60 days after the bonds are paid off. (8038-T Form is used to make payments.)					

In Chapter 7, Near page 7-56: The Adjusting Journal Entries section, for ESSER funds and major capital purposes, is obsolete and removed from the Accounting Manual.

~~ESSER ADJUSTING ENTRIES FOR MAJOR CAPITAL PURPOSES~~

Chapter 8 – Financial Reporting — Changes

In Chapter 8, Near page 8-16: The Schedule of Long-Term Liabilities is retitled the Schedule of Debt and Liabilities. Column Titles are updated. Sections on the schedule are identified by debt limitation. Debt descriptions are modified. New debt types are added corresponding to GL 721; 722; 723; and 724. Compensated Absences is move to the section Revenue Debt and Other Liabilities.

Schedule of Debt and Liabilities …

- Column 2: Additions ~~Amount Issued or Increased~~:
- Column 3: Reductions ~~Amount Redeemed or Decreased~~:

If a district registers warrants with their county treasurer, the periodic activity that occurs during the year is reported on the Schedule of Debt and Liabilities even if there is no year-end balance. If a district has a line of credit with another financial institution, only the amount that has actually been used is reported on the Schedule of Debt and Liabilities.

(Sample School District) Schedule of Debt and Liabilities For the Year Ended August 31, 20XX						
LTDG GL *	Description	Beginning Balance	Additions	Reductions	Ending Balance	Amt Due Within One Year
	Voted General Obligation Debt ***Subject to the 5% Debt Limitation***					
701	Voted Bonds					
702	Voted LOCAL Program Financing					
	Non-Voted Debt and Liabilities ***Subject to the 3/8th of One Percent Debt Limitation***					
711	Non-Voted LGO Bonds					
712	Non-Voted LOCAL Program Financing					
713	Leases					
714	Contracts Payable					
716	Claims & Judgments					
718	Long-Term Notes					
719	Bond and Tax Anticipation Notes					
720	Lines of Credit					
721	**Loans and Debt Obligations to Other Governments**					
722	**Arbitrage**					
723	**Registered Warrants**					
729	Other Non-Voted Debt					
	Revenue Debt and Other Liabilities ***Not Subject to the Debt Limitation***					
717	Compensated Absences					
724	**Revenue Anticipation Notes**					
741	Net Pension Liability TRS 1					n/a
742	Net Pension Liability TRS 2/3					n/a
743	Net Pension Liability SERS 2/3					n/a
744	Net Pension Liability PERS 1					n/a

* Note: The LTDG GL Codes listed in the left column and the *italicized* section labels are for reference only and not included on the schedule in the school district's annual financial statements.

Chapter 9 – Federal Grants Management — Changes

In Chapter 9, Near page 9-22: Minor edit to Time and Effort language.

Time and Effort

The Uniform Grant Guidance offers new ~~flexibilities~~ flexibility 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)).

Chapter 10 – Capital Projects Fund and Transportation Vehicle Fund Accounting — Changes

In Chapter 10, Near page 10-18: The ESSER guidance allowing federal resources to be used in the Capital Projects Fund is removed.

~~Allowable Use of ESSER Resources for Major Capital Improvements~~

~~To determine whether an activity is an allowable use of funds, the latest guidance from the federal government regarding the use of Elementary and Secondary Schools Emergency Relief (ESSER) Funds requires a school district to determine:~~

~~Is the use of funds intended to prevent, prepare for, or respond to the COVID-19 pandemic, including its impact on the social, emotional, mental health and academic needs of students?~~
~~Does the use of funds fall under one of the authorized uses of ESSER or SLFRF funds?~~
~~Is the use of funds permissible under the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Grant Guidance, 2 CFR Part 200)? In particular, is it necessary and reasonable for the performance of the ESSER or SLFRF award?~~

~~ESSER guidance, regarding the use of funds, provides for facility repairs, improvements, replacements, and upgrades to infrastructure to reduce risks of COVID-related health issues (Ref: H.R.1319 – ARP Act SEC. 2001. ESSER III (e)(2)(O,P). Accordingly, state law requires these expenditures to be reported in a school district's Capital Projects Fund (CPF). (Ref: RCW 28A.320.330 (1(a), 2).)~~

~~Prior to the procurement of capital expenditures with federal funds, school districts must receive approval from OSPI (CFR §200.439.) School districts must complete the capital expenditure request form, embedded in the iGrants form package.~~

~~The federal government has its own public works prevailing wage requirements, or wage determinations, established by the Davis-Bacon Act (DBA). For any public works project receiving federal funding, contractors must pay the higher of the state or federal wage rates (WAC 296-127-025). This should also be stated in the bid specifications and contracts.~~

~~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; (CFR §200.439.)~~

~~For school districts in Washington state:~~
~~Some capital expenditures may be expensed in the General Fund as Capital Outlay.~~
~~Major capital projects, allowed in ESSER, must be expensed in the Capital Projects Fund. (Ref: RCW 28A.320.330 (1(a), 2).)~~

~~School Districts planning to utilize ESSER for major capital purposes should build their CPF Budgets accordingly. Districts recording related expenditures directly into the CPF should use a district-specific accounting identifier in the account code. Districts should also use Source Code 4 in their account codes to identify costs.~~

~~ESSER grant awards are administered by OSPI. The agency's EDS Grant Platform can only administer ESSER funds as General Fund resources. If a district utilizes a portion of their federal award for major capital improvements, the district must take care to navigate their ESSER transactions effectively to record expenditures and matching federal resources in the Capital Projects Fund.~~

~~To help facilitate accounting transactions, the following revenue codes, all currently applicable in the General Fund (GFS) will be open and applicable for use in the Capital Projects Fund (CPF).~~

~~6176 Targeted Assistance—ESSER I Applicable Fund: (GFS, CPF)~~
~~6276 Targeted Assistance—ESSER I Applicable Fund: (GFS, CPF)~~
~~6376 Targeted Assistance—ESSER I Applicable Fund: (GFS, CPF)~~

~~6111 Federal Special Purpose—SLFRF Applicable Fund: (GFS, CPF)~~
~~6211 Federal Special Purpose—SLFRF Applicable Fund: (GFS, CPF)~~
~~6311 Federal Special Purpose—SLFRF Applicable Fund: (GFS, CPF)~~

~~6112 Federal Special Purpose—ESSER II Applicable Fund: (GFS, CPF)~~
~~6212 Federal Special Purpose—ESSER II Applicable Fund: (GFS, CPF)~~
~~6312 Federal Special Purpose—ESSER II Applicable Fund: (GFS, CPF)~~

~~6113 Federal Special Purpose—ESSER III Applicable Fund: (GFS, CPF)~~
~~6213 Federal Special Purpose—ESSER III Applicable Fund: (GFS, CPF)~~
~~6313 Federal Special Purpose—ESSER III Applicable Fund: (GFS, CPF)~~

In Chapter 10, Beginning near page 10-20: In the section Ongoing Technology and Maintenance Expenditures and Transfers, guidance is added to direct school districts to use Revenue 9902 in the General Fund to record these transfers.

Ongoing Technology and Maintenance Expenditures and Transfers …

School districts must use Revenue Code 9902 Transfers – Technology and Maintenance to record these transfer transactions in the General Fund. School Districts will also be required to provide details of how the resources are used in the General Fund on a supplemental report in their annual F-196 financial statement.

In Chapter 10, Beginning near page 10-26: In the Transportation Vehicle Fund, Type Code 33 is modified to allow other vehicles to be used for student transportation.

33 Transportation Equipment Purchase

Record expenditures for the purchase of school buses for student transportation or other vehicles used for the expressed purpose of student to-and-from-transportation as defined in WAC 392-141-310(6). Vehicles other than school buses used for student to-and-from transportation must be approved by the school district’s board of directors and meet specific standards as provided in RCW 28A.160.195. Vehicles used for other district purposes should be recorded in the General Fund.

CHAPTER 11 – Debt Service Fund Accounting — Changes

In Chapter 11, Beginning at page 11-3: The Debt Service Fund chapter is completely rewritten.

Introduction to Accounting for a Bond Refunding

Debt may be extinguished through a refinancing (”Refunding”) in addition to normal repayment. A refunding occurs when previously issued debt is retired at least in part by a new bond issue. Refundings are generally undertaken to take advantage of lower interest rates and to modify debt service requirements. Most often, the proceeds from the sale of new bonds with a lower interest rate are used to pay off old bonds with a higher interest rate. A refunding is financially worthwhile when there are significant savings on a present value basis as compared to the present value of the cash flow for the refunded bonds. A district will generally consult with their financial advisor, bond legal counsel, or ESD to determine whether a refunding is in the best interest of the district and taxpayers.

When bonds are sold, they may have an optional redemption available on or after a fixed date, known as the “Call Date”. A school district’s bonds cannot be redeemed until the call date, or until they have matured and are payable.

In a refunding, the proceeds of the refunding bond issue are invested in an escrow account held by a trustee until the old bonds are redeemed. In structuring a refunding, an issuer's financing team calculates an issue size which, together with interest earnings in the escrow account, will be sufficient to pay issuance costs, any call premium, and principal and interest requirements on the refunded bonds.

Chapter 39.53 RCW, known as the Refunding Bond Act, authorizes refunding of bonds. Four provisions of chapter 39.53 RCW are:

[1] RCW 39.53.020 authorizes refunding without an election.
[2] RCW 39.53.050 authorizes refunding bonds to be issued in a principal amount in excess of, less than, or the same as the principal amount of the bonds to be refunded.
[3] RCW 39.53.090 states that the principal amount of annual maturities may be increased to the nearest $5,000 for the purpose of rounding out maturities.
[4] RCW 39.53.100 states that the amounts of money and investments on deposit for bond retirement shall be deducted from the computation of the amount of outstanding indebtedness for the purpose of any constitutional or statutory debt limitation.

A refunding results in an in-substance defeasance of the refunded bonds between the time of closing of the refunding bonds and the date the old bonds are paid off by the escrow trustee. For financial reporting purposes, a defeasance is the removal of debt from the balance sheet prior to the actual redemption of the debt.

An in-substance defeasance is achieved when cash or assets that qualify as essentially risk free as to amount, timing and collection of principal and interest are deposited in an irrevocable trust to retire the refunded bonds sometime in the future. These assets for an in-substance defeasance should provide cash flows that are sufficient and timed to match the scheduled interest and principal payments on the debt that is being extinguished.

Generally, in-substance defeasances are accomplished through the purchase of U.S. Treasury State and Local Government Series (SLGS) securities or other qualifying U.S. Government securities. The securities purchased provide adequate cash flows that coincide with the refunded obligation's debt service schedule without exceeding the Internal Revenue Code arbitrage limits established by the 1986 Tax Reform Act.

If refunding bonds are issued in a principal amount more than the principal amount of the bonds to be refunded, as authorized in RCW 39.53.050, the amount of the excess is to be considered non-voted debt in debt limit calculations. Because of this stipulation, school districts should calculate both their non-voted and voted debt limits whenever there is a bond refunding. The district's finance team (bond legal counsel, financial advisor, and underwriter) typically assist with this calculation.

The remainder of this section explains the accounting and financial reporting of new bond issues and refunding bond issues.

NEW BOND ISSUE AND REFUNDING BOND ISSUE JOURNAL ENTRIES

New bond issues and bond refundings are common debt instruments for governments to obtain long-term financing for capital projects and to refund existing bonds. Provided in this section are examples that will help you answer some common questions. Not all situations can be covered in this section, although the information may help you deduce how to journalize the transaction. If you need additional assistance, contact your finance team, the School District Accounting Supervisor at OSPI, or your ESD.

Closing Memorandum: When issuing new bonds and refunding bonds, the bond finance team will issue a document commonly referred to as a "Closing Memorandum." The closing memorandum provides the information necessary to make journal entries to record the issuance of bonds.

The closing memorandum will contain the date the bonds were issued ("Dated Date"), and transfers of funds required for closing, schedules of the costs of issuance for the bonds, a debt service schedule, and other information related to the bonds.

Below are some explanations of terms commonly contained in the closing memorandum. After the terms, there is an example of a closing memorandum, followed by a worksheet showing the journal entry of each transaction.

Principal Amount or Par Value: This is the amount of the bonds that will be repaid upon maturity of the bonds.

Bond Premium or Discount: Bonds may be issued for more or less than the par value. Bond proceeds in excess of the par value is called a premium. If bond proceeds are less than the par value, the difference is referred to a bond discount. In the following example, the bonds are issued at a premium, which is most commonly the case.

The bond premiums and discounts are combined with the par value of the bonds and any contribution of district funds to arrive at the total sources of funds available from the bond issuance.

Washington State law allows for the use of bond premiums deposited to the capital projects fund to pay the costs of issuance for a new bond issue without reducing the amount of the voter-approved bond authorization available. This allows districts to have all of a voted-bond authorization available for project funds when bond market conditions allow for bond premiums to be generated.

Cost of Issuance: Fees or other costs associated with issuance of the bonds include the fees of underwriters, bond counsel, financial advisor, credit ratings, escrow agent, and other miscellaneous fees incurred as part of bond issuance. These fees may be paid out of the proceeds and are either paid as part of closing, or the district may receive funds earmarked to pay these costs of issuance following closing of the bonds.

If the costs of issuance are paid as part of the bond closing, or by a refunding trustee, the district will recognize the payment of the costs with a debit to GL 530 in either the Capital Project's Fund (new bond issue) or the Debt Service Fund (refunding bond issue) when recording the bond issuance following the closing.

If the fees are not paid upon closing, the funds generated from the bond issue to make the payment of the fees will be deposited into the District's Capital Project's Fund (new bond issue) or the Debt Service Fund (refunding bond issue) with a debit to GL 240 and a credit to GL 965. Once the associated invoice is received and paid by the district, there will a debit to GL 530 and credit to GL 240. Certain districts may need to make payments via warrant (GL 241).

Additional Proceeds: Bonds are generally sold in increments of $5,000. If there are funds generated from the bond sale due to this rounding amount to the nearest $5,000 ("Additional proceeds"), they are deposited into the Debt Service Fund. (debit to GL 240 and credit to GL 965).

Bond Issue — Sale of a New Bonds — Example

Closing Memorandum — New Bond Issue

Re: Any School District
Any County, Washington
$127,790,000 Unlimited Tax General Obligation Bonds, 20XX

Date: February 12, 20XX

The following is a summary of the sources of funds for the 20XX Bonds and how those funds will be applied by the County on behalf of the District:

Sources of Funds		**REF**
Principal Amount	$ 127,790,000.00	7
Plus: Original Issue Premium	12,953,741.05	8
Less: Underwriter's Discount	(460,544.00)	3
Total Sources of Funds:	**$ 140,283,197.05**	

Distribution of Funds by Underwriter Upon Closing		
Any County Office of the Treasurer		
Capital Projects Fund Deposit	$ 140,000,000.00	1
Costs of Issuance to the Capital Projects Fund **[1]**	70,650.00	2*
Additional Proceeds to the Debt Service Fund	3,099.80	9
Total to Any County:	140,073,749.80	
Bond Counsel		
Bond Counsel Fee	90,197.25	
Disclosure Counsel Fee	20,000.00	
Total to Bond Counsel	110,197.25	4
Financial Advisor		
Financial Advisor Fee	99,250.00	5
Total Funds Disbursed	**$ 140,283,197.05**	

Cost Issuance to be paid at closing:

Description	**Total**
Bond Counsel Fee	$ 90,197.25
Disclosure Counsel Fee	20,000.00
Financial Advisor Fee	99,250.00
Subtotal	$209,447.25

[1] Cost of Issuance to be paid by the District:

Description	**Total**	
Bond Rating Fee	70,650.00	6
Combined Total	**$ 280,097.25**	

New Bond Journal Entries

In this example, bond rating fees are deposited into the Capital Projects Fund, and the district is obligated to pay the cost of issuance, at a later date, upon receipt of an invoice.

New Bond Issue Closing Journal Entries					
Capital Projects Fund					
GL #	**Title**	**Debit**	**Credit**	**Source**	**Item #**
240	Cash w/County	140,000,000.00		Bond authorization used	1
240	Cash w/County	70,650.00		Bond proceeds deposited to CPF for cost of issuance.	2,6
530	Bond Issue Cost	460,544.00		Underwriter's discount	3
530	Bond Issue Cost	110,197.25		Bond counsel	4
530	Bond Issue Cost	99,250.00		Financial advisor	5
965	OFS – Proceeds from Bonds		127,790,000.00	Par value (Principal) of new bonds	7
965	OFS – Proceeds from Bonds		12,950,641.25	Original issue premium deposited to CPF	8
		140,740,641.25	140,740,641.25		
* Debit (530) and credit (241) Warrants Outstanding when expenses are actually paid – see below.					

Debt Service Fund					
GL #	**Title**	**Debit**	**Credit**	**Source**	**Item #**
240	Cash w/County	3,099.80		Cash deposited to DSF	9
965	OFS – Proceeds from Bonds		3,099.80	Additional proceed / capitalized interest	8
		3,099.80	3,099.80		

New Bond Issue Closing Journal Entries

Bond Expense Payment Journal Entry					
Capital Projects Fund					
GL #	**Title**	**Debit**	**Credit**	**Source**	**Item #**
530	Bond Issue Cost	70,650.00		Rating Fee	2
241	Warrants Outstanding		70,650.00	Payment of Rating Fee	6
		70,650.00	70,650.00		

Bond Refunding — Example

Debt may be extinguished through a refinancing ("Refunding"). A refunding occurs when previously issued debt is retired at least in part by a new bond issue. Refundings are generally undertaken to take advantage of lower interest rates and to modify debt service requirements. In a refunding, the proceeds of the refunding bond issue are invested in an escrow account held by a trustee until the old bonds are redeemed. Existing district resources used as part of the deposit into the escrow account must be reported as an expenditure (GASB 86, ¶6).

If an issue is a combination of new money and refunding bonds, the refunding bond example should be used since the funds for all fees not wired at closing go directly to the refunding trustee, who pays them upon receipt of invoices on behalf of the district issuing the bonds.

Closing Memorandum — Bond Refunding

Re: Any School District
Any County, Washington
$18,730,000 Unlimited Tax General Obligation Bonds, 20XX

The following is a summary of the sources of funds for the Refunding Bonds and how those funds will be applied by the Refunding Trustee:

Closing Memorandum for the UTGO Refunding Bond		
Source of Funds		**REF**
Principal Amount	$18,730,000.00	5
Plus: Original Issue Premium	1,926,088.60	6
Plus: Contribution from the Debt Service Fund	146,786.54	4
Less: Underwriter's Discount	(92,340.50)	1
Total Source of Funds:	**$20,710,534.64**	
Distribution of Funds		
Refunding Trustee		
Deposit to Escrow Account to Buy U.S. Government Securities	$20.593.180.00	3
Escrow Beginning Cash Deposit	2.14	3
Cost of Issuance	117.352.50	2
Total Funds Disbursed	**$20,710,534.64**	

Unlimited Tax General Obligation Refunding Bond

Cost of issuance to be paid by the Refunding Trustee:

Description	**Amount**
Bond Counsel Fee	$42,300.00
Disclosure Counsel Fee	15,000.00
Financial Advisor Fee	31,452.50
Bond Rating Fee	26,100.00
Escrow Verification Fee	1,500.00
Refunding Trustee Fee	1,000.00
Total	**$117,352.50**

Bond Refunding Journal Entry

Refunding Bond Issue Journal Entry Worksheet					
Debt Service Fund					
GL #	**Title**	**Debit**	**Credit**	**Source**	**Item #**
530	Bond Issue Costs	92,340.50		Underwriter's discount	1
530	Bond Issue Costs	117,352.50		Other costs of issuance	2
530	Refunding Escrow Contribution	146,786.54		Use of existing Funds to Escrow	4
535	Other Financing Use	20,446,395.60		Deposit to refunding escrow	3
240	Cash with County		146,786.54	Refunding contribution	4
965	OFS – Proceeds from Bonds		18,730,000.00	Par value (Principal) of new bond	5
965	OFS – Proceeds from Bonds		1,926,088.60	Net original issue premium	6
		20,802,875.14	**20,802,875.14**		

Questions and Answers on a Refunding Bond Issue

How is a refunding bond structured?

The proceeds from the sale of refunding (new) bonds are placed in the custody of the trust department of a bank. The bank establishes an escrow account and invests the proceeds so that the cash realized from the maturing investments, together with interest earned, will meet the debt service requirements of the refunded (old) bonds, and to redeem the balance of the old bonds when they are called. The bank reports the financial activity in the escrow account to the county treasurer. Each school district will need to work with its county treasurer to determine whether the school district or the county treasurer will verify the accuracy of the amounts reported and that the transactions were done in accordance with the escrow instructions. The county treasurer shows the refunding financial activity on the County Treasurer's Monthly Report (F-197). The school district is legally responsible for the verification of the amounts reported on the F-197.

How are the refunded (old) bonds accounted for?

The old bonds are removed from the long-term debt liability of the school district upon closing of the new refunding bonds, and the refunding trustee bank establishes an escrow account to meet the debt service requirements the old bonds.

How are the refunding (new) bonds accounted for?

The new refunding bonds are entered as a long-term debt liability of the school district debt and the debt service on the new bonds is recorded in the school district's Debt Service Fund.

What are the tax levy requirements?

Taxes are no longer levied for the debt service requirements of the refunded bond issue. Instead, taxes are levied for the debt service requirements of the refunding bond issue together with any other outstanding bonds.

What are the budgeting and financial reporting requirements?

The debt service requirements of the refunding bonds are budgeted and reported in the school district's Debt Service Fund.

The refunding bonds are reported as a long-term debt liability of the school district. The school district does not budget or report any debt service on the refunded bonds or the amount of the refunded bonds outstanding. <u>However, care must be taken to make sure the district has sufficient budget expenditure authority in the Debt Service Fund for any refunding costs of issuance.</u>

A general description of the transaction should be included in the notes to the financial statements in the year of the refunding. At a minimum, the disclosures should include (1) the difference between the cash flows required to service the old debt and the cash flows required to service the new debt to complete the refunding and (2) the economic gain or loss resulting from the transaction.

Some districts also choose to provide a subsequent event footnote describing a refunding issue when bonds are refunded following the end of a fiscal year but before audited financial statements are published.

NOTE DISCLOSURE ILLUSTRATIONS

The following are two examples of note disclosures for the financial statements. These are provided for illustration purposes. The Refunding Note ties back to the refunding example illustrated above. The narrative in this disclosure is for reference only. The user should refer to the Note Templates (published separately) which provide current discloser language; and modify the note disclosure as necessary.

Refunding Note to the Financial Statements — Example

For the Fiscal Year of Refunding Long-Term Debt

REFUNDED DEBT

On April 2, 20XX, the District issued $18,730,000 of general obligation refunding bonds with a true interest cost of 3.10% to refund $20,270,000 of the District's outstanding 20XX Unlimited Tax General Obligation Bonds with an average interest rate of 4.88%. The net proceeds of $20,593,182, after payment of $209,693 in underwriting fees, issuance cost, and a Debt Service Fund contribution of $146,757, were used to retire the 20XX UTGO Bonds. As a result, the 20XX UTGO Bonds are no longer outstanding.

The district refunded the 20XX Unlimited Tax General Obligation Bonds to reduce its total debt service payments in years 20XX through 20X9 by $2,052,081 and to obtain an economic gain, (difference between the present values of the debt service payments on the old and new debt), of $1,742,029.

Cash Flows Difference		
Old Debt Service Cash Flows	$26,211,063	
New Debt Service Cash Flows		$24,158,982
Cash Flow Savings		$2,052,081
Economic Gain		
Present Value of Cash Flows Savings		$1,742,029

Summary of Refunding Results
Any School District
Unlimited Tax General Obligation Refunding Bonds, 20XX Final Numbers

Dated Date	4/2/20XX
Delivery Date	4/2/20XX
Arbitrage yield	3.015982%
Escrow yield	4.405381%
Value of Negative Arbitrage	– 46,089.64
Bond Par Amount	18,730,000.00
True Interest Cost	3.103646%
Net Interest Cost	3.310689%
All-in TIC	3.218203%
Average Coupon	5.000000%
Average Life	5.797

Summary of Refunding Results Any School District Unlimited Tax General Obligation Refunding Bonds, 20XX Final Numbers	
Par amount of refunded bonds	20,270,000.00
Average coupon of refunded bonds	4.876044%
Average life of refunded bonds	5.839
PV of prior debt to 04/02/20XX @ 3.011982%	22,543,904.36
Net PV Savings	1,742,029.22
Percentage savings of refunded bonds	8.594125%
Percentage savings of refunded bonds	9.300743%

SAVINGS
ANY SCHOOL DISTRICT
Unlimited Tax General Obligation Refunding Bond, 20XX Final Numbers

Date	Prior Debt Service	Prior Receipts	Prior Net Cash Flow	Refunding Debt Svc	Savings	Annual Savings	PV to 04/02/XX @ 3.0159816%
04/02/20XX		146,786.54	- 146,786.54		-146,786.54		-145,786.54
06/01/20XX	470,775.00		470,775.00	153,481.93	317,293.07		315,740.25
12/01/20XX	1,830,775.00		1,830,775.00	1,998,250.00	-167,475.00	3,031.53	-164,179.57
06/01/20X1	448,675.00		448,675.00	430,000.00	18,675.00		18,035.56
12/01/20X1	1,923,675.00		1,923,675.00	1,715,000.00	208,675.00	227,350.00	198,535.92
06/01/20X2	419,175.00		419,175.00	397,875.00	21,300.00		19,964.02
12/01/20X2	2,019,175.00		2,019,175.00	1,812,875.00	206,300.00	227,600.00	190,487.92
06/01/20X3	387,175.00		387,175.00	362,500.00	24,675.00		22,445.29
12/01/20X3	2,127,175.00		2,127,175.00	1,922,500.00	204,675.00	229,350.00	183,414.03
06/01/20X4	352,375.00		352,375.00	323,500.00	28,875.00		25,491.15
12/01/20X4	2,237,375.00		2,237,375.00	2,038,500.00	198,875.00	227,750.00	172,960.72
06/01/20X5	305,250.00		305,250.00	280,625.00	24,625.00		21,098.10
12/01/20X5	2,360,250.00		2,360,250.00	2,155,625.00	204,625.00	229,250.00	172,713.19
06/01/20X6	253,875.00		253,875.00	233,750.00	20,125.00		16,734.10
12/01/20X6	2,488,875.00		2,488,875.00	2,278,750.00	210,125.00	230,250.00	172,125.05
06/01/20X7	198,000.00		198,000.00	182,625,00	15,375.00		12,407.41
12/01/20X7	2,628,000.00		2,628,000.00	2,417,625.00	210,375.00	225,750.00	167,247.65
06/01/20X8	137,250.00		137,250.00	26,750,00	10,500.00		8,223.47
12/01/20X8	2,772,250.00		2,772,250.00	2,556,750.00	215,500.00	226,000.00	166,269.54
06/01/20X9	71,375.00		71,375.00	66,000.00	5,375.00		4,085.49
12/01/20X9	2,926,375.00		2,926,375.00	2,706,000.00	220,375.00	225,750.00	165,016.47
	26,357,850.00	146,786.54	26,211,063.46	24,158,981.93	2,052,081.53	2,052,081.53	1,742,029.22

Savings Summary

Dated Date	04/02/20XX
Delivery Date	04/02/20XX
PV of savings from cash flow	1,742,029.22
Net PV Savings	1,742,029.22

SOURCES AND USES OF FUNDS
ANY SCHOOL DISTRICT
Unlimited Tax General Obligation Refunding Bonds, 20XX Final Numbers

Dated Date 04/02/20XX

Sources:			
Bond Proceeds:			
	Par Amount	18,730,000.00	
	Premium	1,926,088.60	
		20,656,088.60	
Other Sources of Funds			
	DSF Contribution	146,786.54	
		20,802,875.14	
Uses:			
Refunding Escrow Deposits:			
	Cash Deposit	2.14	
	SLGS Purchases	20,593,180.00	
		20,593,182.14	
Cost of Issuances:			
	Bond Counsel Fee	42,300.00	
	Disclosure Counsel Fee	15,000.00	
	Financial Advisor Fee	31,452.50	
	Rating Fee	26,100.00	
	Escrow Verification Fee	1,500.00	
	Refunding Trustee Fee	1,000.00	
		* 117,352.50	Σ * $209,693
Delivery Date Expenses			
	Underwriter’s Discount	* 92,340.50	
		20,802,875.14	

ESCROW COST				
ANY SCHOOL DISTRICT				
Unlimited Tax General Obligation Refunding Bonds, 20XX Final Numbers				
	Date	Principal	Interest	Net Escrow Receipts
Payoff Date →	06/01/20XX	20,593,180.00	147,593.86	20,740,773.86
		20,593,180.00	147,593.86	20,740,773.86
Escrow Cost Summary				
	Purchase Date		04/02/20XX	

Subsequent Event Note to the Financial Statement — Example

This is a note disclosure for when bonds are issued following the end of the fiscal year but before the audit report for that year has been issued. The narrative in this disclosure is for reference only and the amounts used are not used in any of the schedules illustrated above. The user should refer to the Note Templates (published separately) which provide current discloser language; and modify the note disclosure as necessary.

Subsequent Event – Issuance of Bonds

Subsequent to the fiscal year ending August 31, 20XX, on October 7, 20XX, the District issued $111,610,000 of unlimited tax general obligation and refunding bonds.

$69,710,000 of the bonds, along with original issue premium of $5,290,000 were deposited into the District's Capital Projects Fund and represent the final sale of the 20XX voter-approved bond authorization.

$41,900,000 of the bonds, along with original issue premium of $5,228,475 were used to refund $58,355,000 of the district's outstanding 20XX Unlimited Tax General Obligation Bonds. The net proceeds of $47,128,475, combined with a Debt Service Fund contribution of $12,362,236 (consisting of 20XX tax collections of $4,172,236 and Debt Service Fund reserves of $8,190,000) and payment of $269,336 in underwriting fees and issuance costs, were used to retire the 20XX UTGO Bonds.

As a result of this transaction, the 20XX UTGO Bonds are no longer outstanding obligations of the District. The transaction will be reflected in the District's fiscal year 20XX financial statements.

Appendix A – Program Expenditure Matrices — Changes

In Appendix A, beginning on page A-4: The program expenditure matrices related to federal stimulus: Programs 11; 12; 13; 14; 18; 19; 23 and the program expenditure matrices related to Reading First—Federal and Math and Science Professional Development—Federal: Programs 54 and 62 have been removed from the Accounting Manual.

~~11~~	~~Special Purpose—SLFRF~~
~~12~~	~~Special Purpose—ESSER II~~
~~13~~	~~Special Purpose—ESSER III~~
~~14~~	~~Special Purpose—ESSER III—Supplemental—Learning Loss~~
~~18~~	~~Special Purpose—Reserve G~~
~~19~~	~~Special Purpose—CARES Act—Other~~
~~23~~	~~Special Education—ARP—IDEA~~
~~54~~	~~Reading First—Federal~~
~~62~~	~~Math and Science—Professional Development—Federal~~

Appendix B – Additional Accounting Guidance — Changes

In Appendix B, beginning on page B-29: The guidance for Leases, SBITAs, and APAs is moved from Chapter 3 to Appendix B. The guidance is not modified.

Chapter sections moved from Chapter 3:
- Accounting for Leases
- Subscription-Based Information Technology Arrangements (SBITAs)
- Public-Private & Public-Public Partnerships & Availability Payment Arrangements

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