

AMENDATORY SECTION (Amending WSR 15-18-078, filed 8/28/15, effective 9/28/15)

WAC 392-123-049 Basis of budgeting and accounting. All school districts and charter schools must utilize the following methods of revenue and expenditure recognition in budgeting, accounting, and financial reporting:

(1) Recognize revenue as defined in WAC 392-123-047: Provided, That school districts that elect the cash basis of expenditure recognition as defined below shall recognize revenue on the cash basis.

(2) Recognition of expenditures for all funds shall be on the accrual basis: Provided, That school districts with under one thousand full time equivalent students for the preceding fiscal year may make a uniform election for all funds, except debt service funds, to be on the cash basis of expenditure recognition. Notification of such election shall be given to the state superintendent of public instruction in the budget of the school district and shall remain in effect for one full fiscal year(~~(: Provided further, That)~~).

(3) Charter schools may not elect to make a uniform election for any funds to be on the cash basis of expenditure recognition.

~~((+3))~~ (4) School districts subject to binding restrictions may not elect to make a uniform election for any funds to be on the cash basis of expenditure recognition until the fiscal year following the district's release from binding restrictions by the superintendent of public instruction.

(5) Expenditures for activities prior to September 1st, but within the school year as defined in WAC 392-121-031, are considered expenditures of the school year commencing September 1st.

AMENDATORY SECTION (Amending WSR 24-22-049, filed 10/28/24, effective 11/28/24)

WAC 392-123-060 Petition to budget receivables collectible in future fiscal periods. When a school district or charter school is unable to prepare a budget or a budget extension in which the estimated revenues for the budgeted fiscal period plus the estimated fund balance or actual fund balance in case of a budget extension, at the beginning of the budgeted fiscal period less the ending reserved fund balance for the budgeted fiscal year do not at least equal the estimated expenditures for the budgeted fiscal period, the school district board of directors or charter school board may deliver a petition in writing at least 20 days before the budget or budget extension is scheduled for adoption to the superintendent of public instruction requesting permission to include receivables collectible in future periods beyond the fiscal period being budgeted in order to balance the budget or budget extension for the fiscal period being budgeted. Said petition shall include a resolution of the school board requesting permission to budget receivables collectible in future fiscal periods and other such information as the superintendent of public instruction shall deem as necessary.

If such permission is granted, it shall be in writing, and it shall contain conditions, binding on the district or charter school,

designed to improve the district's or charter school's financial condition.

For the 2024-2025 ~~((and))~~, 2025-2026, 2026-2027, and 2027-2028 budget periods, accepting binding conditions due to a negative fund balance position is not required for school districts or charter schools that have an interfund loan for more than the amount of the negative position in the receiving fund. This time-bound exception is provided in RCW 28A.505.130 so long as the transaction date on the loan occurs on or before June 30, 2024.

For districts already subject to binding conditions or subject to enhanced financial oversight, interfund loans may be used to balance the budget of the borrowing fund when the loan is consistent with the financial plan submitted by the district and approved by the superintendent or financial oversight committee.

Any second-class school district subject to binding conditions will be required to account for revenues and expenditures in the same manner as a first-class school district.

AMENDATORY SECTION (Amending WSR 93-17-006, filed 8/5/93, effective 9/5/93)

WAC 392-123-071 Budget extensions—First-class school districts.

~~((Upon the happening of any emergency in a first-class school district caused by fire, flood, explosion, storm, earthquake, epidemic, riot, insurrection, or for the restoration to a condition of usefulness of any school district property, the usefulness of which has been destroyed by accident, and no provision has))~~ Before incurring expenditures in excess of current budgeted appropriations, the board of directors in a first-class school district shall adopt a budget extension resolution by the vote of the majority of all board members:

(1) When the budget extension is needed in the event of an emergency:

(a) When no provisions have been made for such expenditures in the adopted appropriation, the board of directors~~((, upon the adoption by the vote of the majority of all board members of a resolution stating))~~ shall state the facts constituting the emergency~~((,))~~ and the board of directors may make an appropriation therefor without notice or hearing.

(b) For the purpose of this section, an emergency is defined as events caused by fire, flood, explosion, storm, earthquake, epidemic, riot, insurrections, or for the restoration to a condition of usefulness of any school district property, the usefulness of which has been destroyed by accident.

(2) When a budget extension is needed, and the reason is not one of emergencies enumerated above:

(a) If ~~((in first-class districts))~~ it becomes necessary to increase the amount of the appropriation, ~~((and if the reason is not one of the emergencies specifically enumerated above))~~ the school district board of directors, before incurring expenditures in excess of expenditures therefor, shall adopt a resolution stating the facts and the estimated amount of appropriation to meet it.

(b) Such resolution shall be voted on at a public meeting, notice to be given in the manner provided in WAC 392-123-054. Its introduc-

tion and passage shall require the vote of a majority of all members of the school district board of directors.

(c) Any person may appear at the meeting at which the appropriation resolution is to be voted on and be heard for or against the adoption thereof.

Two copies of all adopted appropriation resolutions shall be filed with the educational service district, who shall forward one copy to the superintendent of public instruction. One copy shall be retained by the educational service district. The final date for adopting appropriation resolutions extending budgets shall be the close of business on August 31st or the last business day prior to August 31st if August 31st occurs on a nonbusiness day. Each copy of all appropriation resolutions filed shall have attached a copy of the school district's latest budget status report. The revised budget shall be in the format prescribed by the superintendent of public instruction and shall be prepared in accordance with instructions provided by the superintendent of public instruction.

Any appropriation resolution adopted after the date specified in this section shall be null and void. Any appropriation resolution adopted after the current appropriation level has been exceeded shall be null and void to the extent that the current appropriation level has been exceeded.

AMENDATORY SECTION (Amending WSR 93-17-006, filed 8/5/93, effective 9/5/93)

WAC 392-123-072 Budget extensions—Second-class school districts. If a second-class school district needs to increase the amount of the appropriation from any fund the school district board of directors before incurring expenditures in excess of appropriations shall obtain approval from the superintendent of public instruction in the following manner: The school district board of directors shall adopt a resolution stating the specific reason(s) for extending the budget, the estimated amount of additional appropriation needed and the source(s) of funds.

Such resolution shall be voted on at a public meeting, notice to be given in the manner provided by WAC 392-123-054. Introduction and passage shall require the vote of a majority of all members of the school district board of directors.

Any person may appear at the meeting at which the appropriation resolution is to be voted on and be heard for or against the adoption thereof.

Upon passage of the appropriation resolution the school district shall petition the superintendent of public instruction for approval to increase the amount of its appropriations. Such petition to be made in the format prescribed by the superintendent of public instruction. The request for budget extension document shall be prepared in ~~((accordance with current instructions contained in bulletins now or hereafter published))~~ the format prescribed by the superintendent of public instruction and attached to each copy shall be a copy of the latest budget status report and a copy of the board resolution.

The request for budget extension shall be forwarded to the educational service district for approval by the educational service district superintendent.

If approved, the request for budget extension shall be forwarded by the educational service district to the superintendent of public instruction for final approval. The final date for receiving budget extension requests shall be the close of business on August 31st or the last business day prior to August 31st if August 31st occurs on a nonbusiness day.

Any request for budget extension shall not be approved by the educational service district or the superintendent of public instruction to the extent that the current appropriation has been exceeded prior to the request for budget extension.

Copies of all appropriation resolutions approved by the superintendent of public instruction shall be returned by the superintendent of public instruction to the educational service district. The educational service district shall retain one copy and shall return one copy to the school district.

AMENDATORY SECTION (Amending WSR 15-18-078, filed 8/28/15, effective 9/28/15)

WAC 392-123-076 Identification of balanced budget. For each fund contained in the school district or charter school budget the estimated expenditures for the budgeted fiscal period must not be greater than the total of the estimated revenues for the budgeted fiscal period, plus the estimated fund balance at the beginning of the budgeted fiscal period, less the estimated (~~reserved~~) nonspendable and restricted fund balance at the end of the budgeted fiscal period and, where appropriate, the projected revenue from receivables collectible in future periods as approved by the superintendent of public instruction for inclusion in the budget.

The proceeds of any loan must not be used to balance the budget of the borrowing fund.

When the prior year financial statements are submitted to the superintendent of public instruction, the school district must review their current year budget to determine if actual beginning fund balance amounts result in an unbalanced budget. In any case where the district has adopted a budget that does not have sufficient resources for the fiscal year due to a change in the beginning fund balance, the district must submit a budget extension with the procedures outlined in this chapter.

AMENDATORY SECTION (Amending WSR 96-09-001, filed 4/3/96, effective 5/4/96)

WAC 392-123-078 Review of first-class school district budgets and budget (~~extensions~~) revisions. Annual budgets of first-class school districts shall be reviewed by the educational service district prior to adoption by the school district board of directors.

The educational service district shall notify each of its first-class school districts of any problems noted during the review prior to adoption of the budget by the school district.

Budgets and budget ~~((extensions))~~ revisions adopted by first-class school districts shall be reviewed by the educational service district prior to filing these documents with the superintendent of public instruction.

Said reviews shall include, but not be limited to, completion of data entry and edit, review of revenues and ~~((reserved and unreserved))~~ the classification of fund balances for accuracy, appropriateness of expenditures and determination of whether or not the budget or budget ~~((extension))~~ revision is in compliance with this chapter, state statutory law and budget instructions issued by the superintendent of public instruction.

The educational service district shall notify the district of all problems noted in the review and the due date for correction of the problems. Should the school district fail to meet the due date for correction, the educational service district shall notify the superintendent of public instruction. The superintendent of public instruction shall proceed in the manner prescribed in WAC 392-123-080 through 392-123-105.

AMENDATORY SECTION (Amending WSR 96-09-001, filed 4/3/96, effective 5/4/96)

WAC 392-123-079 Review of second-class district budgets and budget ~~((extensions))~~ revisions. Annual budgets of second-class school districts shall be reviewed by the educational service district prior to adoption by the school district board of directors.

Educational service districts shall notify each of its second-class school districts of any problems noted during the review prior to adoption of the budget by the board of directors.

Review of second-class school district adopted budgets shall be performed by the educational service districts. Said reviews shall include, but not be limited to, completion of data entry and edit, review of revenues and ~~((reserved and unreserved))~~ the classification of fund balances for accuracy, appropriateness of expenditures and determination of whether or not the budget is in compliance with this chapter, state statutory law, and budget instructions issued by the superintendent of public instruction.

The educational service district will notify the district of all problems noted during the review. The educational service district shall attempt to have the problems corrected prior to submission of the budget to the superintendent of public instruction.

The superintendent of public instruction shall conduct meetings with representatives of the educational service district and/or school district as deemed necessary to correct problems and to fix and approve the amount of appropriation from each fund of the budget as prescribed in RCW 28A.505.070 and WAC 392-123-054.

Review of budget ~~((extensions))~~ revisions shall consist of data entry and edit, review of revenues and ~~((reserved and unreserved))~~ the classification of fund balances for accuracy, appropriateness of expenditures, and determination of whether or not the budget ~~((extension))~~ revision is in compliance with this chapter, state statutory

law, and budget instructions issued by the superintendent of public instruction. Approval of budget (~~(extensions)~~) revisions shall be in accordance with WAC 392-123-072.

AMENDATORY SECTION (Amending WSR 15-18-078, filed 8/28/15, effective 9/28/15)

WAC 392-123-080 Budget determined to be unsound after superintendent's review. If the superintendent of public instruction determines that the budget of any school district to be unsound or does not comply with this chapter and/or the provisions of state statutory law applicable to school district budgets, the superintendent shall provide written notice of such determination to the board of directors of the district.

If the superintendent of public instruction determines that the budget of any charter school to be unsound or does not comply with this chapter and/or the provisions of state statutory law applicable to charter school budgets, the superintendent shall provide written notice of such determination to the charter school board and the charter school's authorizer.

AMENDATORY SECTION (Amending WSR 83-21-027, filed 10/10/83)

WAC 392-123-095 Budget as noncompliant and unsound. A school district shall submit a revised budget within (~~(thirty)~~) 30 days following the date the superintendent of public instruction issues a written notice requiring the district to do so. The revised budget shall remedy the deficiencies identified by the superintendent of public instruction and shall comply with state statutory law and this chapter.

AMENDATORY SECTION (Amending WSR 15-18-078, filed 8/28/15, effective 9/28/15)

WAC 392-123-100 Revised budget as not submitted or noncompliant. If a school district fails or refuses to submit a revised budget at the direction of the superintendent of public instruction which complies with state statutory law and this chapter, the (~~(matter shall be submitted to the state board of education)~~) superintendent of public instruction will consult with the educational service district where the district is located to determine whether it is necessary to convene a financial oversight committee in accordance with RCW 28A.315.211.

Written notification of the superintendent's intention to (~~(submit the matter to the state board)~~) convene a financial oversight committee shall be made to the board of directors and administration of the school district and to the educational service district superintendent.

If a charter school fails or refuses to submit a revised budget at the direction of the superintendent of public instruction which complies with state statutory law and this chapter, the superintendent will provide written notice of the charter school's failure or refusal to the charter school's authorizer.

AMENDATORY SECTION (Amending Order 8-76, filed 7/23/76)

WAC 392-123-105 ((State board of education)) Superintendent of public instruction action regarding missing or noncompliant budget. ~~((The state board of education shall be provided written notification of the superintendent of public instruction's determination and shall)) Pursuant to RCW 28A.505.090, budgets that are missing or non-compliant shall not be official and will have no legal effect.~~

~~During the interim while the budget is being settled, pursuant to RCW 28A.505.140, the board of directors shall not be prohibited from incurring expenditures for the payment of regular employees, for the necessary repairs and upkeep of the school plant, for the purchase of books and supplies, and for their participation in joint purchasing agencies authorized in RCW 28A.320.080.~~

~~Any other expenses are considered in excess of appropriations. In accordance with RCW 28A.505.150, directors, officers, or employees who knowingly or negligently violate or participate in the incurring of expenditures in excess of any appropriation(s) shall be held civilly liable, jointly and severally, for such expenditures in excess of such appropriation(s) and be subject to other consequences outlined in that and other statutes and this chapter.~~

~~The superintendent of public instruction shall convene a financial oversight committee to meet to adopt a financial plan to operate the district. The plan adopted by the ((state board)) financial oversight committee shall be in effect until a revised budget which complies with state statutory law and this chapter is adopted and submitted by the district.~~

NEW SECTION

WAC 392-123-121 Financial condition determined to be unsound after superintendent's review. (1) At any time during the year, the superintendent of public instruction may require districts to submit monthly financial statements, budget status reports, and other financial information to determine if the adopted budget is in compliance with applicable laws and regulations. This includes, but is not limited to, assessment of:

(a) Whether the district budget is balanced after adjusting the estimated fund balance at the beginning of the budgeted fiscal year to the actual beginning fund balance;

(b) Whether the district budget is balanced after adjusting for actual enrollment; and

(c) Whether the district budget is balanced after adjusting for changes in contracts or other significant expenditure assumptions.

(2) If the superintendent of public instruction determines that the financial information provided by the district indicates that the district budget is not balanced and will either end in a negative position in any fund or will require budgeting receivables from a subsequent period to be in balance, the superintendent will provide written notice to the superintendent of the school district, the board president of the school district, and the superintendent of the appropriate educational service district. This notice will summarize:

(a) The condition identified in the assessment;

(b) The cause identified that led to the condition identified; and

(c) The date which the school board must submit a revised budget to the educational service district and the office of the superintendent of public instruction for review and approval; and

(d) The date which the school board must submit a two-year financial plan.

(3) If the district submits a revised budget for review that requires the use of receivables collectible in future years to balance the budget, the superintendent will only grant permission in writing with specific binding conditions designed to improve the district's financial health.

(4) If the district:

(a) Does not submit a revised budget; or

(b) The financial plan submitted by the district demonstrates that the district will not have an adequate fund balance at the end of the plan period or will be financially insolvent in accordance with RCW 28A.315.025.

The office of the superintendent of public instruction will consult with the educational service district where the district is located and convene a financial oversight committee in accordance with RCW 28A.315.221.

AMENDATORY SECTION (Amending Order 8-76, filed 7/23/76)

WAC 392-123-150 Interfund loans—Payment of interest. (1) Interest shall be charged by the loaning fund to be paid by the borrowing fund. The rate of interest shall be not less than the current warrant interest rate prevailing in the county in which the school district is considered to be located. The interest shall be credited to the loaning fund and shall not be transferred to any other fund.

(2) When a school district that is in binding conditions pursuant to RCW 28A.505.110 or under enhanced financial oversight pursuant to RCW 28A.315.221 takes a temporary interfund loan from its capital projects fund, the loaning capital projects fund may not charge interest on the amounts loaned.

NEW SECTION

WAC 392-123-171 Proceeds from the sale of school district real property when the district is subject to binding conditions. (1) A

school district that is subject to binding conditions designed to improve the district's financial stability may request from the superintendent authorization to sell real property to alleviate the financial burdens that caused or contributed to the imposition of binding conditions or to repay an interfund loan.

(2) Districts must submit a written request to the superintendent of public instruction that includes the following:

(a) The legal and common property description of the real property proposed for sale.

(b) An estimate of the property value.

(c) Confirmation of an appraisal or date when an appraisal will be secured.

(d) A request for the amount that would be redirected for use to repay an interfund loan.

(e) A request for the amount that would be redirected to alleviate the financial burden that caused or contributed to the binding conditions.

(f) A date that the real property was declared surplus and a copy of the approved board resolution.

(g) An acknowledgment that the district will be prohibited from any further sales of real property for this purpose for a minimum of 10 years.

(3) The superintendent of public instruction will review the request and notify the district superintendent and board of the decision in writing. If approved, the district will hold one additional public hearing prior to approving a resolution authorizing the sale of real property.

(4) Pursuant to RCW 28A.335.135, any proceeds from the sale of real property permitted by the superintendent of public instruction to be utilized to alleviate financial burdens are restricted for use to the following purposes:

(a) To address costs associated with unanticipated actual changes in annual average full-time equivalent enrollment that exceed 2.5 percent from the prior school year.

(b) For temporary cash flow needs in the general fund within the school year.

(c) For emergencies or as necessary for the preservation of life, health, and safety.

(d) To repay an interfund loan.

(e) For one-time expenses as preapproved by the office of the superintendent of public instruction.

(5) A school district will not use the proceeds provided from the sale of real property for ongoing salaries or benefits.