

CHAPTER 10 – Capital Projects Fund and Transportation Vehicle Fund Accounting

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INTRODUCTION

This chapter provides information that is unique to the Capital Projects and Transportation Vehicle funds. Some information presented here may also be included in other parts of this manual, but it is included here so that those new to governmental accounting can obtain an overview of the funds.

As required by accounting standards, governmental accounting systems should be organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. (See Chapter 1 Fund Accounting Systems, for additional information regarding fund accounting systems.)

The standards categorize funds into one of eleven fund types. These fund types are grouped into three general classifications:

- Governmental funds are used to account for tax-supported activities. GAAP establishes five governmental fund types: General Fund, Special Revenue Funds, Capital Projects Funds, Debt Service, and Permanent Funds. RCW 28A.320.330 requires school districts in Washington state to establish a General Fund, Capital Projects Fund, Debt Service Fund, and Associated Student Body Fund (Special Revenue Fund). RCW 28A.160.130 creates a Transportation Vehicle Fund (Capital Projects Fund).
- Proprietary funds are used to account for business-type activities of a government and are supported, at least in part, by fees or charges. Proprietary funds are **not** permitted for school districts in Washington State.
- Fiduciary Funds are used to account for resources in situations where the government is acting as a trustee or agent for parties outside the government. Fiduciary Funds *cannot* be used to support the government's own programs. Fiduciary Activities are described in Chapter 13.

CAPITAL PROJECTS FUND

Capital Projects Funds—to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds) (GASB Cod. Sec. 1100.103a[3]. See also Sec. 1300, "Fund Accounting").

Within the state of Washington, two funds are used for the acquisition or construction of major capital facilities or assets: The Capital Projects Fund and the Transportation Vehicle Fund. (See the Transportation Vehicle Fund section starting on page 26 of this chapter.) The Capital Projects Fund is created by RCW 28A.320.330.

The Capital Projects Fund can be used for the acquisition of land or existing facilities, construction of buildings, purchase of equipment, conducting energy audits, making capital improvements, which are cost effective as determined by energy audits, and implementing technology systems. In addition, improvements to buildings or grounds, remodeling of buildings, and the replacement of roofs, carpets, and service systems are included in the Capital Projects Fund.

The Capital Projects Fund is generally financed from the proceeds of the sale of bonds, state matching revenues, and special levies. In all instances where moneys are raised by voter-approved bond issues, the proposition must include a description of the projects for which the money is being raised. RCW 28A.530.010 authorizes school districts to issue bonds for certain capital projects. The acquisition of school buses is not a capital project. Therefore, the proceeds of bonds issued per RCW 28A.530.010 cannot be used to acquire school buses.

The Capital Projects Fund is also used to record the proceeds from the sale of, and the net proceeds from, the lease of surplus real property and to record investment earnings of the Capital Projects Fund.

The modified accrual basis of accounting is to be utilized in measuring financial position and operating results unless the district has less than 1,000 full-time equivalent students the previous fiscal year and has elected to utilize the cash basis for all funds except debt service. (See Chapter 1, Accrual Basis in Governmental Accounting, for additional information on the modified accrual basis of accounting.)

The focus of Capital Projects Fund accounting is on the sources and uses of available resources, and the accounting and reporting is on an annual period-oriented basis. The accounting records must contain sufficient information to permit special purpose reporting on a project-length basis.

Revenue recognition for the Capital Projects Fund is the same as for other governmental funds. Amounts are recorded as revenues or other financing sources when they are both measurable and available.

This section does not include information pertaining to the general ledger accounts (Chapter 4), revenue accounts (Chapter 5), or most journal entries (Chapter 7). See the chapters indicated for detailed information in these areas.

Capital Projects Fund Allowable Expenditures by Revenue Source

Revenues

Sale of Bonds

Expenditures

Bond revenue is restricted to sites and buildings as authorized by law or necessary or proper to carry out the functions of a school district, improvement of energy efficiency and installation of energy systems and components, and structural changes and additions to buildings and sites. The purchase of initial equipment as defined in this section is also allowable. The resolution approving the election shall include the specific buildings to be constructed or remodeled and any additional specific purposes as authorized under RCW 28A.530.010. Expenditures are restricted to those authorized in the bond resolution. Any alteration of the expenditure plan requires a public hearing (RCW 28A.530.020).

Special Levies

Special levies are restricted to the following: the same purposes that bond proceeds may be used for, as well as major renovations of buildings including the replacement of facilities and systems where periodic repairs are no longer economical or extend the useful life of the facility or system beyond its original planned useful life. Also, the renovation and rehabilitation of playfields and athletic fields can be accomplished with Capital Projects Fund special levies. The purchase of initial equipment, additional major items of equipment and furniture, and the costs associated with implementing technology systems as defined in this section are allowable. The resolution approved by the voters authorizing the special levy must include the purpose for raising the moneys.

State Funding Assistance

State Funding Assistance revenue may be spent on new construction for unhoused students or modernization or replacement of existing areas. Local funds must be provided, typically through bonds, and expended first. Any state match not used for the funded project may be expended on any legal expenditure in the Capital Projects Fund. However, any alteration to the use of state assistance requires a public hearing (RCW 28A.530.020).

Revenues

Impact and Mitigation Fees

Expenditures

Developer Impact and Mitigation fees are restricted to growth projects specified in the Capital Facilities Plan. Impact fees, under the Growth Management Act, are also restricted to specific schools impacted by the development. Fees collected from voluntary impact fees are limited to the growth projects defined in the agreement.

Investment Earnings

Investment earnings from the proceeds of bonds, state match funds, special levies, and mitigation and impact fees are restricted to the same purposes as proceeds from their source. Interest earnings from all other sources may be used for any legal purpose of the Capital Projects Fund. Further, investment earnings from unrestricted revenue sources can be credited by the County Treasurer to the General Fund, with Board approval, for expenditures for instructional supplies, equipment, and capital outlay purposes.

Insurance Proceeds

Insurance proceeds that represent reimbursement for loss of a building and contents shall be deposited to the credit of the Capital Projects Fund. Insurance proceeds for business interruption insurance shall be credited to the General Fund. Expenditures for the replacement of the building and contents shall be expended from the Capital Projects Fund. Insurance proceeds may be used for any legal purpose in the Capital Projects Fund.

State Apportionment

State apportionment may be used for the same purposes as special levies and bond proceeds. The purchase of initial and additional equipment as defined in this section is also allowable.

Revenues

Sale of Real Property

Expenditures

Proceeds from the sale of real property may be used for any legal purpose of the Capital Projects Fund. The purchase of initial and additional equipment as defined in this section is also allowable.

According to RCW 28A.335.130 the proceeds from any sale of school district real property by a board of directors shall be deposited to the Debt Service Fund or the Capital Projects Fund, except for amounts required to be expended for the costs associated with the sale of such property, which moneys may be deposited into the fund from which the expenditure was incurred.

Lease or Rental of Surplus Property

Revenues from the lease or rental of surplus property shall be deposited in the Capital Projects Fund and used for any legal purpose of the Capital Projects Fund. A portion of these revenues may be deposited into the General Fund to cover the costs of maintaining the surplus property.

According to RCW 28A.335.060, at the option of the board of directors, after evaluating the sufficiency of the school district's Capital Projects Fund for purposes of meeting demands for new construction and improvements, moneys derived for the lease or rental of real property may be deposited into the district's General Fund to be used exclusively for nonrecurring costs related to operating school facilities including, but not limited to, expenses for maintenance.

Categorical Funding

Categorical funding may be used for any legal purpose of the Capital Projects Fund and for the purposes allowed by the funding agency or grantor. The purchase of initial and additional equipment as defined in this section is also allowable.

CAPITAL PROJECTS FUND EXPENDITURES

The use of individual project numbers is optional, but districts may find that the use of a project coding system will facilitate reporting and consolidation of expenditures for capitalization and project tracking.

This code is intended to provide the accumulation of historical expenditures by specific projects. A suggested possibility would be the assignment of the first digit to a building number. The second digit would be an ascending project serial number applicable to the building. This would distinguish the specific project within a building location. A second possibility would be to use an ascending two-digit code, e.g., 01 through 99.

Care should be taken to develop projects that apply only to one building and one expenditure type. This permits expenditures for completed projects to be used as inputs to the school district's property control record system. If at budget time this cannot be done, a temporary number can be assigned. Assigning the permanent number that identifies the expenditure to specific building locations can be done at the time of accounting. However, for some expenditure items, such as salaries that apply to more than one project, it may be desirable to use an undistributed (00) classification for project identification for accounting purposes. When an undistributed classification is used, the expenditures accumulated under this classification must be assigned to projects at year-end.

Expenditure Type Codes

Expenditure types are classified as follows:

10 Sites

- 11 Purchases
- 12 Improvements

20 Buildings

- 21 New
- 22 Remodeling

30 Equipment

- 31 Initial
- 32 Additional
- 35 Instructional Technology

40 Energy

- 41 Audits
- 42 Capital Improvements

50 Sale and Lease Expenditures

- 51 Sale of Real Estate
- 52 Lease and Rental of Surplus Property

60 Bond or Levy Issuance

- 61 Bond or Levy Issuance or Election

90 Debt

- 91 Principal
- 92 Interest
- 93 Arbitrage Rebate

DESCRIPTIONS OF TYPE CODES

10 Sites

11 Purchases

Record expenditures for the purchase of land or options to purchase land.

12 Improvements

Record expenditures which have the effect of adding to an existing facility's worth, but do not normally increase the square footage of the land. Included under improvements are such items as assessments and the expenditures for clearing,

drainage, grading, landscaping, demolition of existing structures, paving, tunnels, overpasses, and fencing.

20 Buildings

21 New

Record the construction expenditures for a building addition or the expenditure for a new or existing structure that will be used to house a related operation such as a warehouse, business office, or school. Include expenditures for facilities to house students during the construction of a school building.

22 Remodeling

Record expenditures for major permanent structural alterations. Included are items which are integral parts of the building or building service such as the initial or additional installation of heating and ventilating systems, electrical systems, plumbing systems, fire protection systems, and other service systems in existing buildings. Remodeling or improvement of buildings usually takes place within the existing floor area, whereas a building addition extends the floor area.

Replacements of roofs, carpets, and service systems are recorded here. Repairs to buildings are recorded under the General Fund Activity 64 Maintenance. Include expenditures for facilities to house students during the remodeling of a school building.

30 Equipment

Motor vehicles licensed to be operated on the road are not charged to the Capital Projects Fund. Pupil transportation vehicles are charged to the Transportation Vehicle Fund. All other vehicles are charged to the General Fund.

31 Initial

Record expenditures for the purchase of initial (not replacement) equipment for new or remodeled buildings.

Additionally, for new buildings only, expenditures for the initial non-consumable library, text, and reference books would be classified in this category. Expenditures for these three types of instructional materials in a digital format (e.g., CD-ROM) are also allowable. Items of a consumable nature (e.g., workbooks) are not

allowable expenditures of the Capital Projects Fund because they are not capital in nature.

32 Additional

Record expenditures for the purchase or installation of additional major items for equipment and furniture not connected with a construction project. Also, record other technology levy expenditures that are not identified as "instructional" technology as defined in Type Code 35.

35 Instructional Technology

Record expenditures for the purchase or installation of instructional technology in classrooms. Expenditures to be recorded in this Type Code are computers and other classroom-based technology such as printers, projectors, document cameras, smart boards, and other peripheral equipment. Software costs that are required for the purchase and installation of new instructional technology may also be charged to this Type Code. Once instructional technology has been purchased and placed into service within the district, all future related expenditures shall be charged to the General Fund using the appropriate expenditure codes in that fund.

40 Energy

41 Audits

Record expenditures associated with surveys of a building or complex which identify the type, size, energy use level, and major energy using systems which determine appropriate energy conservation maintenance or operating procedures and assess any need for the acquisition and installation of energy conservation measures, including solar energy and renewable resource measures (RCW 28A.320.330(2)(c)(ii)).

42 Capital Improvements

Record expenditures for installation, or modification of the installation, of energy conservation measures in a building or complex which are primarily intended to reduce energy consumption or allow the use of an alternative energy source. Energy conservation measures must have been identified as cost-effective by an energy audit (RCW 28A.320.330(2)(c)(iii)).

50 Sale, Lease, and Rental Expenditures

51 Sale of Real Estate

Record expenditures associated with the sale of real estate such as attorney's fees, sales commissions, and appraisal fees (RCW 28A.335.130).

52 Lease and Rental of Surplus Real Property

Record expenditures associated with the lease and rental transactions of surplus real property. Expenditures for the sale, rental or lease of personal property should be reported in the General Fund (RCW 28A.335.060).

60 Bond or Levy Issuance

61 Bond or Levy Issuance or Election

Record expenditures incurred in issuing bonds such as attorney's fees, underwriting fees, rating agencies and related costs. Successful capital levy and bond election costs may be recorded here. If the related election fails, these expenditures shall be recorded in the General Fund. Expenditures such as transfer fees incurred after bonds are issued should be recorded in the Debt Service Fund.

90 Debt

Type Codes 91 and 92 are used only for debt payments that are made *directly* from the Capital Projects Fund. Transfers to the Debt Service Fund are only recorded in GL 536 Other Financing Uses–Transfers Out.

91 Principal

Record the principal portion of payments made directly from the Capital Projects Fund for debt including, but not limited to, conditional sales contracts, purchasing agreements, and other long-term notes.

92 Interest

Record the interest portion of payments made directly from the Capital Projects Fund for debt including, but not limited to, interest bearing warrants, conditional sales contracts, purchase agreements, and interfund loans.

93 Arbitrage Rebate

Record the expenditure for arbitrage rebate at the time the liability is no longer contingent.

Object Expenditure Codes—Optional

Use of object expenditure codes is an optional expansive feature that provides a method of identifying expenditures as to objects.

Capital Projects Fund—Source–Use Codes

School districts receive and use resources that have restrictions or conditions attached. These conditions can be imposed by bond or levy propositions or by conditions and terms associated with grantor funding on categorical projects or can be restraints existent in state laws (RCW) or agency rules (WAC). The district can also commit or assign funds for specific purposes.

When revenues are received, the school district must be prepared to account for amounts received and expended for that purpose. The source–use code provides a common coding classification for both restricted-use revenues and expenditures.

A one-digit source–use code should be assigned as follows:

One Digit Source–Use Codes and Assignments

- 0 Amounts that are unrestricted and undesignated.
- 1 Amounts derived from the sale of bonds and investment proceeds and used for the purposes expressed in the bond proposition.
- 2 Amounts received from capital projects levies and used for levy propositions.
- 3 Amounts received from state agencies and used for funded projects.
- 4 Amounts received from federal agencies and used for federal portions of individual grants.
- 5 Other sources and uses not described above.
- 6 Amounts received from Impact Fees in accordance with the Growth Management Act.
- 7 Amounts received from Mitigation Fees in accordance with the State Environmental Protection Act.

One Digit Source–Use Codes and Assignments

- 9 Amounts to be distributed. This is an intermediate code for use during the fiscal year and does not have a balance at budget preparation time or when year-end reports are issued. For example, the district may have two or more projects in the same year. The source–use code 9 can be a temporary place for the direct construction management support expenditures during a fiscal year. At the end of the fiscal year, all of these expenditures in source–use code 9 would be reversed and allocated on a reasonable basis to each project for that fiscal year. Allocation methods could be based on, but not limited to, the total direct expenditures of each project or the total square feet under construction of each project for that fiscal year.

Revenues and Other Financing Sources that are not restricted in their use should be coded with source–use code “0.” For example, state apportionment revenues (Revenue Account 3100) that have been redirected from the General Fund to the Capital Projects Fund are not restricted and should be accounted for by using the “0” source–use code.

Expanded Source–Use Coding

Districts may wish to further expand the minimal one-digit coding to be able to account for individual issues and sales of bonds, levy years, and individual categorical grants. For example, the use of a two-digit code would afford up to 50 individual source–use pools if the five minimum codes are used.

Districts may also elect to expand on the source–use code structure by giving source–use code “8” its own assignment, or by adding a third or fourth digit to the coding. Districts electing to expand on this code structure must include some provision for reducing their expanded code to the fund balance and investment in capital assets accounts provided for in the general ledger.

Example of Source–Use Coding

The Capital Projects Fund receives the proceeds of a bond issue, the terms of which require their expenditure on a specific building project. The district has another building project under construction, financed through the proceeds of a different bond issue.

Correct coding: 9112

The first two digits "91" identify this as the proceeds from the sale of bonds. The third digit, the minimal source–use digit "1" represents restricted amounts from the sale of bonds. The last digit is entirely a district-assigned number and could be any number 1 through 9. In this case "2" identifies this as the second project.

The Other Financing Source account code for the F-195 and F-196 would be 9100.

The applicable general ledger account is 861 Restricted from Bond Proceeds. Notice that the third digit is the source–use code.

State Reporting of Capital Projects Fund Revenues and Other Financing Sources

Only the summary level revenue code will be reported to the state. In many cases this will only be the first two digits, signifying only the source of the revenue. The last two digits will be only the "00" default code. For example, local levies would still be 1100 for reporting purposes. The actual revenue on the district's books would be 112, with the fourth digit assigned by the district.

Restriction of Fund Balance Using Source–Use Code

Establishing restrictions of fund balance is done by closing Account 960 Revenues and Account 965 Other Financing Sources to the fund balance restriction accounts listed below through the use of the source–use code. To set up restrictions of fund balance, the third digit in the revenue or other financing source account number must match the third digit in the restricted account section of the balance sheet.

Closing expenditures that were expended on the restricted use reduces the restriction on Capital Projects Fund resources. So the Account 530 Expenditures that were restricted are closed to the general ledger restriction accounts representing that restriction.

The applicable general ledger restriction accounts are:

General Ledger: Restricted Fund Balance: Equity Accounts for the Capital Projects Funds

861	Restricted From Bond Proceeds
862	Committed From Levy Proceeds
863	Restricted From State Proceeds

**General Ledger: Restricted Fund Balance:
Equity Accounts for the Capital Projects Funds**

864	Restricted From Federal Proceeds
865	Restricted From Other Proceeds
866	Restricted From Impact Fee Proceeds
867	Restricted From Mitigation Fee Proceeds
869	Restricted From Undistributed Proceeds

Balances in the above accounts represent amounts that have not been expended for the specific projects to which they have been legally restricted; most of the revenues and other financing sources received by the Capital Projects Fund have legal restrictions on their expenditures.

Districts are reminded that their accounting systems must be able to identify these restrictions on future expenditures. Use of restriction accounts is an accounting procedure that makes it possible to account for restricted amounts in the general ledger.

Under this method, restricted revenues and expenditures are closed at year-end to the restriction accounts listed above.

The portion of General Ledger 960 Revenues and General Ledger 965 Other Financing Sources representing unrestricted resources should use source–use code "0" and must be closed to 889 Assigned to Fund Purposes. Examples include redirected state apportionment and revenue from the lease of real property.

The following are general guidelines in determining which restriction account to use:

- Investment earnings have the same expenditure restrictions as do the underlying resources generating the revenue.
- Assume that the most restrictive resources were expended first.
- Restricted net position is intended to portray, at the date of the balance sheet or statement of net position, the extent to which the government has assets that can only be used for a specific purpose. If the related liabilities exceed the assets on hand, then the "shortfall," by default, is covered by unrestricted net position. Extending that logic to the unrestricted fund balance classifications,

shortfalls in any of the classifications would be covered by the next classification for that specific purpose in the government's spending prioritization policy (stopping at zero in each classification). Thus, if fund balance (exclusive of nonspendable amounts) in total is negative, then the negative amount can only be attributed to the unassigned fund balance classification.

Capital Outlay Expenditures

Capital outlay expenditures are those which result in the acquisition of capital assets or additions to capital assets. They include capital expenditures for land or existing buildings, improvements to grounds, construction of buildings, additions to buildings, remodeling of buildings, and purchase or installment of initial or additional major items of equipment. Include expenditures for facilities to house students during the construction or remodeling of a school building. Legal fees for capital projects are chargeable to the Capital Projects Fund. Election costs may be charged to the Capital Projects Fund upon passage of the levy. Election costs for failed levies are charged to the General Fund but may be reimbursed by the Capital Projects Fund if the levy passes at a later time provided it is within the same fiscal period.

Salaries

The salaries and other direct expenditures of school district employees who are hired or assigned to the planning or construction management of capital projects, which have been approved as provided above, are recorded under the Capital Projects Fund.

Capital projects' planning includes the development of facility specifications and construction design. It is defined as preparing specifications for building projects or preparing architectural blueprints or other design specifications by planning directors, architects, engineers, or draftsmen who spend significant time performing these duties. Salaries for capital project planning are not to be charged to the Capital Projects Fund for a specific project after the facility specifications or the construction design planning has been completed. Planning for the operation of existing facilities is not to be charged to the Capital Projects Fund.

Construction management, as it pertains to capital projects, is defined as directing, managing, or inspecting one or more capital projects. Salaries of staff project directors, inspectors, or monitors who spend significant time performing these services are designated as construction management salaries. Salaries for construction management

shall not be charged to the Capital Projects Fund after the building is occupied and accepted by school district board action.

The salaries of individuals who spend time performing duties that directly support capital project planning or construction management are to be charged directly to the Capital Projects Fund. Salaries of individuals engaged in the operations of the school district are not to be charged to the Capital Projects Fund. However, costs for staff paid to move their classroom or office as a direct result of a remodel or construction may be charged to the Capital Projects Fund. Salaries of individuals who also perform duties chargeable to another fund should be allocated in proportion to their duties to both the Capital Projects Fund and the other fund. Capital Projects Fund salaries may be processed through the General Fund, which is then reimbursed by the Capital Projects Fund.

Real estate management salaries are not to be charged to the Capital Projects Fund.

When salaries are charged to the Capital Projects Fund, school districts may wish to maintain an object of expenditure to account for salaries and other expenditures.

Repairs

Expenditures for repairs to building structures that do not add to existing facilities are recorded under the General Fund Activity 64 Maintenance. As a general guide concerning repairs to building structures, if changes of partitions, roof structure, or walls are not involved, the expenditures are recorded under the General Fund Activity 64 Maintenance; if such changes are involved, the expenditures are recorded under the Capital Projects Fund as remodeling.

Renovations

The Capital Projects Fund records major renovations and replacement of facilities and systems consisting of roofing, floor covering, exterior walls and windows or service systems when periodic repairs are no longer economical. Replacement is the replacement of a unit of equipment or fixture with another unit or fixture that serves the same purpose in the same way and has approximately the same expected lifetime as the replaced unit when installed. Normal repairs should be charged to the General Fund Activity 64 Maintenance.

Initial Equipment

Expenditures for initial equipment for a new or remodeled building or for a structure being converted from one use to another use are recorded in the Capital Projects Fund. Expenditures for initial equipment or the initial installation of built-in equipment in existing buildings are recorded under the Capital Projects Fund.

Initial expenditures for a new or remodeled building or a structure being converted from one use to another use for the purchase of library, text, and reference books or materials in any format, including electronic, are allowable as initial equipment. Items of a consumable nature (for example, workbooks) are not allowable expenditures of the Capital Projects Fund because they are not capital in nature.

Expenditures for repairs and for replacements not discussed above are recorded under the General Fund Activity 64 Maintenance as repairs to buildings, regardless of the relative value of the replaced item of equipment and its replacement. The purchase of additional equipment may be recorded in the General Fund.

Replacement

Expenditures for the replacement of a building or for the replacement of facilities and systems are recorded under the Capital Projects Fund. Expenditures for the repair of capital assets are recorded under the General Fund Activity 64 Maintenance.

Acquisition or Relocation of Modular (Portable) Buildings

Expenditures for the acquisition or relocation of modular (portable) buildings should be charged to the Capital Projects Fund.

Energy Capital Improvements

Expenditures for the initial installation of energy capital improvements in buildings and during the remodeling of existing buildings are recorded under the Capital Projects Fund. Expenditures for repairs and replacements are recorded under the General Fund Activity 64 Maintenance as repairs to buildings. Energy-efficient systems as a part of the initial equipment of a new building should be charged to the Capital Projects Fund.

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 GEER 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 GEER 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 \$5,000; (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—GEER | Applicable Fund: (GFS, CPF) |
| • 6211 Federal Special Purpose—GEER | Applicable Fund: (GFS, CPF) |
| • 6311 Federal Special Purpose—GEER | 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) |

Ineligible Expenditures in the Capital Projects Fund

Supplies, Instructional Resources, and Noncapitalized Items

Except for office supplies consumed by employees whose time is properly charged to the fund, all other supplies are not eligible expenditures. Items of a consumable nature (e.g., workbooks) are not allowable expenditures of the Capital Projects Fund because they are not capital in nature.

Bonded Indebtedness

Liabilities for bonded indebtedness are not recorded in the Capital Projects Fund, but instead are recorded on the Schedule of Long-Term Liabilities.

Bond Election

Expenditures for preliminary studies to provide information for a bond election are considered an expenditure of the bond election and recorded under General Fund Activity 11 Board of Directors.

Vehicles

Vehicles cannot be purchased with capital projects fund money (RCW 28A.320.330(2)(e)). Pupil transportation vehicles are charged to the Transportation Vehicle Fund. All other vehicles are charged to the General Fund.

Inventory and the Capital Projects Fund

The use of inventory accounts within the Capital Projects Fund is optional. Inventory within the Capital Projects Fund consists of items of equipment that have been purchased for a large-scale project, such as the implementation of a new technology system, but that have not yet been distributed to the schools within a district. Items purchased as equipment for a single-school project, such as a new or remodeled school building, should be recognized as expenditures when incurred and not treated as inventory, even if the district chooses to utilize a central warehouse system.

Ongoing Technology and Maintenance Expenditures and Transfers

Certain moneys in the Capital Projects Fund may be transferred to the district's General Fund and used for certain, non-capital technology or maintenance and repair costs

(RCW 28A.320.330(2)(f)(ii) and (g)). Capital Projects Fund moneys that are used in this manner shall be transferred to the General Fund, where the expenditures are recorded. These non-capital expenditures include:

Ongoing Technology

Costs associated with the application and modernization of technology systems for operations and instruction including, but not limited to, the ongoing fees for online applications, subscriptions, or software licenses, including upgrades and incidental services, and ongoing training related to the installation and integration of these products and services.

Maintenance and Repair

Major equipment repair, painting of facilities, and other major preventative maintenance purposes. Based on the district's most recent two-year history of General Fund maintenance expenditures, financial resources used for this purpose may not replace routine annual preventive maintenance expenditures made from the district's General Fund.

Transfers and Source of Funding

Resources received in the Capital Projects Fund including, but not limited to, interest earnings on unrestricted Capital Projects Funds, can be used for the purposes of RCW 28A.320.330(2)(f)(ii) and (g), with the exception of funds derived from the following sources: A) bond proceeds and interest on bond proceeds; B) school impact and mitigation fees and interest on impact and mitigation fees; C) proceeds from the Washington LOCAL Program; or D) other sources subject to legal or contractual restrictions as to use (for example grant proceeds).

For further information on the transfer process, refer to Chapter 3, Interfund Transfers.

CAPITAL PROJECTS FUND ENTRIES

Capital Projects Fund State Matching Journal Entries

Subsidiary Ledger Account Format for the following JEs:

Expenditures XX-X Type-Source

CPF: State Matching Paid Directly to the Contractor

General Ledger Account	Subsidiary Ledger Required	Account Title	Debit	Credit
530	21-3	New Construction, State Source	X	
960	4230	State Funding Assistance Paid Direct to Contractor		X

To record the receipt of state funding assistance moneys paid directly to the contractor. Source code 3 in both the expenditures and revenue will close into GL 863, Restricted from State Proceeds, with a net effect of zero.

CPF: State Matching Paid to the District

General Ledger Account	Subsidiary Ledger Required	Account Title	Debit	Credit
240		Cash on Deposit	X	
530	21-3	New Construction, State	X	
530	21-1	New Construction, Bonds		X
960	4130	State Funding Assistance Paid to District		X

To record the receipt of state funding assistance moneys paid to the district and used on the funded project. This entry will increase GL 861, Restricted from Bond Proceeds and have a net effect of zero on GL 863, Restricted from State Proceeds.

CPF: State Matching Paid to the District on a Front Funded Project

General Ledger Account	Subsidiary Ledger Required	Account Title	Debit	Credit
240		Cash on Deposit	X	
960	4100	State Funding Assistance Paid to District		X

To record the receipt of state funding assistance moneys paid to the district on a front-funded project. Revenue Account 4100 will close into GL 889, Assigned to Fund Purposes.

Local Option Capital Asset Lending (LOCAL) Program Journal Entries

A Certificate of Participation (COP) is a third-party borrowing option for financing capital acquisitions. School districts usually take advantage of COPs through the LOCAL program administered through the Office of the State Treasurer (OST). The following examples show the journal entries when School District A signs a financing contract with OST to acquire buses. In the first example, the district has chosen to receive the proceeds directly from OST. In the second example, the district has chosen to keep the proceeds with OST, who will handle the payment of the invoices.

SCENARIO #1: District receives proceeds from OST.

In the Transportation Vehicle Fund:

LOCAL Entry #1

General Ledger Account	Subsidiary Ledger Required	Account Title	Debit	Credit
240		Cash on Deposit With County Treasurer	X	
965	Yes	Other Financing Sources		X
To record COP LOCAL proceeds when OST sends the proceeds to the school district.				

LOCAL Entry #2

General Ledger Account	Subsidiary Ledger Required	Account Title	Debit	Credit
530	Yes	Expenditures	X	
240		Cash on Deposit With County Treasurer		X
To record payments to the vendor for a bus purchase when the COP LOCAL proceeds were paid to the school district directly.				

LOCAL Entry #3

General Ledger Account	Subsidiary Ledger Required	Account Title	Debit	Credit
536		Other Financing Uses—Transfers Out (Budget and Actual)	X	
240		Cash on Deposit With County Treasurer		X
To record the transfer of funds from TVF to DSF to make the COP LOCAL payment.				

In the Debt Service Fund:

LOCAL Entry #4

General Ledger Account	Subsidiary Ledger Required	Account Title	Debit	Credit
240		Cash on Deposit With County Treasurer	X	
965	Yes	Other Financing Sources		X
To record the transfer of funds from TVF to DSF to make the COP LOCAL payment.				

LOCAL Entry #5

General Ledger Account	Subsidiary Ledger Required	Account Title	Debit	Credit
530	Yes	Expenditures	X	
240		Cash on Deposit With County Treasurer		X
To record payment made to the county treasurer, according to the COP LOCAL payment schedule, including principal and interest.				

SCENARIO #2: District elects to keep proceeds with OST and submits invoices to them.

General Ledger Account	Subsidiary Ledger Required	Account Title	Debit	Credit
250		Cash With Fiscal Agent	X	
965	Yes	Other Financing Sources		X
To record the deposit of LOCAL program proceeds with OST that the district will access to pay for future invoices.				

General Ledger Account	Subsidiary Ledger Required	Account Title	Debit	Credit
530	Yes	Expenditures	X	
250		Cash With Fiscal Agent		X
To record payment on invoices that have been paid by OST for allowable uses under the LOCAL program.				

General Ledger Account	Subsidiary Ledger Required	Account Title	Debit	Credit
536		Other Financing Uses—Transfers Out (Budget and Actual)	X	
250		Cash With Fiscal Agent		X
To record the transfer of any remaining unused LOCAL proceeds out of the TVF.				

General Ledger Account	Subsidiary Ledger Required	Account Title	Debit	Credit
250		Cash With Fiscal Agent	X	
965	Yes	Other Financing Sources		X
To record the transfer of funds from the TVF to the DSF for future debt payments.				

TRANSPORTATION VEHICLE FUND

The Transportation Vehicle Fund is created per RCW 28A.160.130. The Transportation Vehicle Fund is to be used to account for the expenditures for the purchase and related debt service incurred for pupil transportation equipment (school buses). In addition, major repair and rebuilding of pupil transportation equipment (school buses) as defined in WAC 392-142-260 is permitted. To charge major repairs to the Transportation Vehicle Fund, a district must receive prior approval from OSPI (Form 1023).

There are three primary sources of revenue for the Transportation Vehicle Fund.

The first source are payments from the state for school bus depreciation, per RCW 28A.150.280.

The second source of revenue for the Transportation Vehicle Fund comes in the form of special Transportation Vehicle Fund levies, per RCW 84.52.053.

The third source of revenue for the Transportation Vehicle Fund comes in the form of bonds. RCW 28A.530.080 authorizes school districts, under certain circumstances, to issue bonds without a vote of the people. These non-voted bonds may be deposited into the Transportation Vehicle Fund, where the proceeds may be used for the purchase of school buses.

In addition, the district may transfer money from the General Fund into the Transportation Vehicle Fund. Such transfers are recorded in General Ledger Account 965 Other Financing Sources.

The modified accrual basis of accounting is to be utilized in measuring financial position and operating results unless the district has less than 1,000 full-time equivalent students the previous fiscal year and has elected to utilize the cash basis for all funds except debt service. (See Chapter 1, Accrual Basis in Governmental Accounting, for additional information on the modified accrual basis of accounting.)

This section does not include information pertaining to the general ledger accounts (Chapter 4), revenue accounts (Chapter 5), or journal entries (Chapter 7). See the chapters indicated for detailed information in these areas.

TRANSPORTATION VEHICLE FUND EXPENDITURES

The Transportation Vehicle Fund is provided to account for the expenditures for the purchase, major repair, rebuilding, and related debt service incurred for pupil transportation equipment.

As prescribed in WAC 392-142-260, the allowable uses of Transportation Vehicle Fund moneys by school districts are (1) the purchase of school buses, and (2) performing major repairs of a school bus receiving prior approval by the superintendent of public instruction.

Expenditure Type Codes

Expenditure types are classified as follows:

30 Equipment

- 33 Transportation Equipment Purchase
- 34 Transportation Equipment Major Repair

60 Bond or Levy Issuance

- 61 Bond or Levy Issuance or Election

90 Debt

- 91 Principal
- 92 Interest
- 93 Arbitrage Rebate

DESCRIPTIONS OF TYPE CODES

30 Equipment

33 Transportation Equipment Purchase

Record expenditures for the purchase of school buses for student transportation. Other vehicles should not be recorded here but recorded in the General Fund instead.

34 Transportation Equipment Major Repair

Record expenditures for major repairs to school buses in accordance with WAC 392-142-260. Major repairs require prior approval from the superintendent of public instruction.

60 Bond or Levy Issuance

61 Bond or Levy Issuance or Election

Record expenditures incurred for issuing bonds such as attorney's fees, underwriting fees, rating agencies and related costs. Successful Transportation levy and bond election costs may be recorded here. If the related election fails, these expenditures shall be recorded in the General Fund. Expenditures such as transfer fees incurred after bonds are issued may be recorded in the Debt Service Fund.

90 Debt

Type Codes 91 and 92 are used only for debt payments made *directly* from the Transportation Vehicle Fund. Transfers to the Debt Service Fund are only recorded in GL 536 Other Financing Uses—Transfers Out.

91 Principal

Record the principal portion of payments made directly from the Transportation Vehicle Fund for debt including, but not limited to, conditional sales contracts, purchasing agreements, and other long-term notes.

92 Interest

Record the interest portion of payments made directly from the Transportation Vehicle Fund for debt including, but not limited to, conditional sales contracts and purchase agreements.

93 Arbitrage Rebate

Record the expenditure for arbitrage rebate at the time the liability is no longer contingent.

Object Expenditure Codes—Optional

Use of object expenditure codes is an optional expansive feature that provides a method of identifying expenditures as to objects.

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