

School District Accounting Advisory Committee

Selected Accounting Topics for Review and prepare for
changes to the 2023–24 School District Accounting Manual

May 19, 2023



Washington Office of Superintendent of
PUBLIC INSTRUCTION

Today's Agenda

- The CTE Funding Model
- The Hierarchy of Programs
- More on Transition to Kindergarten — Program 09
- Reporting the Minimum Fund Balance Policy
- DOH L2R FMV — Donated Supplies
- Capping the Maximum Indirect Rate Percentages
- Costs to Move and Store Equipment; Allowable in the CPF
- Capitalization Threshold for Leases and SBITAs
- Emergency Connectivity Fund
- E-Rate—Federal

The CTE Funding Model

- This is an introduction to potential changes in the CTE funding model and modifications to accounting guidance.
- A significant amount of research and additional input from other stakeholders needs to occur.

The Hierarchy of Programs

- This is an introduction to a concept of prioritizing program expenditures when students are aligned with multiple programs.
- Ranking Programs for the priority of expenditures.
- Basic Ed, SpEd, CTE, ALE, LAP, more...
- Do we need a sub-committee?

More on Transition to Kindergarten (TTK)

- The program is not basic education — (2SHB 1550)
- Not an entitlement — students are screened for eligibility.
- Resources restricted for program use.
- Funded through the prototypical school funding model.
- **Budgeting Tool coming online**

- For the 2023–24 School Year: TTK is funded with the following resources:
- General Fund State (FY 2024).....\$5,172,000
- General Fund – Federal (CRRSA/GEER).....\$41,848,000

More on Transition to Kindergarten (TTK)

- The Federal resource is ARP EANS II
- ALN **84.425V**: American Rescue Plan – Emergency Assistance to Non-Public Schools
- ARP EANS reverted to the Governor for allowable uses under the GEER II program.
- For the SEFA: The resources will be identified as ARP EANS
- We asked... We will not receive a new or different Grant Award Notification (GAN).

More on Transition to Kindergarten (TTK)

- We do not believe **indirects** apply.
 - Bill language says the resources must be spent on the Program.
 - This is not a grant claim where you can claim indirect
 - There are no provisions to recover funds
 - There is nothing written in WAC 392-122-900 to provide for a state recovery rate for this Program.
- We believe **Time and Effort** will be applicable... but this needs to be researched.
 - **And is it: [TK], [TTK]; or [T2K] ???!**

TTK: Accounting Codes

- A new Program Code
 - 09 Transition to Kindergarten
- Two new revenue codes will be added:
 - 4109 – State Special Purpose – Transition to Kindergarten
 - 6109 – Federal Special Purpose – Transition to Kindergarten
- A new GL Code will be added
 - GL 823 – Restricted for Carryover of Transition to Kindergarten Revenues
 - ***In Year 1: Please Spend the Federal Money...***

Reporting the Minimum Fund Balance Policy

- This is a discussion to add the Minimum Fund Balance Policy amount to the District's Balance Sheet in the F-196.
- GASB Statement 54 describes the classifications of fund balance.
- Fund Balance Classifications on the Balance Sheet are categories of "Use".
- A Minimum Fund Balance Policy is not considered a "specific use".
 - It is a district strategy to accumulate financial resources.
- GASBS 54 Paragraph 27 states: (Paraphrased) A minimum fund balance policy should be described in the government's notes to its financial statements.
- Paragraph 27 refers to policies rather than requirements.
- "A fund balance policy has no effect whatsoever on the classification of fund balance--it is merely a note disclosure." — Stephen Gauthier in an email to OSPI on 3/28/2015.

DOH L2R FMV for Donated Supplies Received in 2021–22

- DOH Learn to Return Fair Market Value (DOH L2R FMV) for supplies donated to districts.
- Districts were deemed beneficiaries of the supplies.
- DOH provided the FMV data for 2021–22... *just a tad late...*
- Report the FMV in the Notes
- What is the best place in the notes to disclose?
- What if Audit is Complete?

DOH L2R FMV for Donated Supplies Received in 2022–23

- Are Districts Beneficiaries in 2022-23? — Probably
- DOH expects to have FMV info available “late Sept – early Oct”
- Book the FMV as a revenue and expenditures.
- Use Revenue Code 6219 and Program Code 19
- Note Disclosure would not be required.
- The Accounting Journal Voucher entry would be similar to the JV for the USDA Commodities Transaction.

Capping the Federal Indirect Rates

- This is a first discussion on modifying and capping the Federal Indirect Rates
- Constraints are needed
- Other States use maximum caps authorized by the Feds
- OSPI is fact finding

Capping the State Recovery Rate

- WAC 392-122-900(3)(c)
- (i) Divide direct expenditures for program 97 district-wide support by;
- (ii) Total general fund direct expenditures for all programs minus direct expenditures for program 97 district-wide support; and
- (iii) Round to three decimal places.
- **(iv) The maximum allowable state recovery rate shall not exceed ## percent.**
 - 28 Small districts and Charter Schools over 34%
 - 19 over 40%
 - 7 over 50%
 - 3 over 70%
 - 1 over 100%

RCW 28A.320.330(2)(i)

Equipment moving and storage

- (2) **(i) During the 2023–25 fiscal biennium**, moving equipment and furniture is an allowable use for moneys in the capital projects fund *not attributable to capital levies*. Expenditures for the moving of equipment and furniture between buildings and warehouses for storage, moving of the content of teachers' classrooms between buildings, and furniture purchases, *when these costs are due to the following activities*: Construction, remodeling, replacement, temporary placement, consolidation, or directed transfer.
- Costs associated with extending the useful life of an asset is Capital.
- Costs associated with moving and storing furniture is not Capital;
- The legislature did what it did.

• **Let's Table this discussion....**

Capitalization Threshold For Leases and SBITAs

School District Accounting Manual, Chapter 3, Page 3-52

Capitalization Threshold for Leases

School Districts may establish a lease liability threshold for leases that are clearly insignificant individually and in the aggregate. This threshold defines the dollar amount at which a lease with a maximum possible term of more than one year will be classified as a lease liability. A district may establish a single capitalization threshold for all leases or different capitalization thresholds for different classes of leases. The threshold should be established at a small enough level such that the leases excluded would be clearly insignificant to financial reporting in aggregate. In establishing a threshold, districts should consider the different types and groups of leases they have, and management information needs.

Capitalization Threshold For Leases and SBITAs

- **FASB ASC 842 Lease Capitalization Policy**
- “Entities and their auditors should strive to set a lease capitalization policy where all parties are comfortable that the “**clearly trivial**” threshold of the auditor will not be tripped.”
- “It may be prudent to defer consideration of lease capitalization thresholds until sufficient analysis has been done.”
- Auditors are required to accumulate and report misstatements that are more than “clearly trivial”. — AU-C 450, Evaluation of Misstatements Identified During the Audit
- **“AU-C 450.A2 indicates that “clearly trivial” is not another expression for “not material.”** In some firms, the “clearly trivial” threshold is set at 10% of an established materiality benchmark. **[Materiality = \$1X: Clearly Trivial = \$0.1X Materiality].”**
- “There is no exception in the AU-C from the various requirements above for more than “clearly trivial” misstatements for capitalization policies.”

Emergency Connectivity Fund

- Discussions continue between SAO and OSPI Program Staff.
- Other Stakeholders and the Audit Resolution Team are involved.

- We can have a conversation on ECF here...
- But nothing can be resolved in this forum.

E-Rate—Federal

- **If you liked ECF...** Here comes E-Rate—Federal ALN 32.004
- A DRAFT Compliance Supplement was just sent out.
- It “appears” implementation will be FY 2024; **but it is not clear.**

The general E-Rate Process:

- The Application Deadline was March 2023 for the FY 2023 (July 1, 2023, through June 30, 2024) funding year.
- We “presume” that the effective date for audits will be for fiscal years beginning after June 30, 2023.

Major Change to the E-Rate Program

- Without knowing what the effective date is, accounting guidance is subject to change.
- As school districts enter the new school year beginning September 1, 2023, they will be in the FY23 E-Rate Award.
- FY23 are “Existing Awards” that run through June 30, 2024.
- We are uncertain whether existing awards will be subject to audit.
- FY24 will be “New Awards” beginning July 1, 2024, and we expect these to be subject to single audit.

New Accounting Codes in the Chart of Accounts

- **6210 E-Rate—Federal:** It will be open in the General Fund and the CPF.
- **Program 79, Activity 66 E-Rate—Federal:** Is the new expenditure code opened
- Federal E-Rate expenditures cannot be co-mingled with state and local expenditures within the same activity code.
- You can use Revenue Code 2910 E-Rate for the non-federal award...

Major Change to the E-Rate Program

- Things to consider:
- Until we know differently: Treat everything related to E-Rate in 2023–24 as if it is subject to audit.
- You should be able to distinguish your FY23 E-Rate Expenditures from the FY24 E-Rate Expenditures if they occur together in the 2023–24 school year.
 - E-Rate expenditures for each E-Rate Award should be coded differently.

Major Change to the E-Rate Program

- Things to consider:
- “E-Rate is a discount on the telephone bill”.
- School Districts that receive an E-Rate funding commitment letter are direct recipients of the Federal award regardless of whether the district chooses to receive:
 - A direct reimbursement against the commitment; or
 - Has its service provider seek reimbursement on its behalf.
- Either way: You will need to account for the entire award.

Major Change to the E-Rate Program

- Things to consider:
- “E-Rate is a discount on the telephone bill”.
- Q — Does this mean the telephone bill is split coded?
- The “net” telephone charges stay in 97-65.
 - (Or wherever you currently code these costs.)
- The E-Rate Discount on the telephone bill is recorded as an adjusting entry:
- Booking Revenue 6210 and Expenditure 79-66.

E-Rate Expenditures – Subject to Single Audit

- Work with your Program staff managing E-Rate.
- Work with Accounts Payable to flag invoices containing E-Rate discounts.

Other Old or New Business

?

Final Thoughts

The next meeting is scheduled for June 23rd

OSPI will host an In-Person; and Broadcast the meeting via Zoom or through another media platform.

If you have taken notes of today's meeting, I would appreciate having a copy. Your notes help as a reminder of items discussed.

Thank you for participating.



This Meeting presentation for the SDAAC is prepared by the [Office of Superintendent of Public Instruction](#) and is licensed under a [Creative Commons Attribution 4.0 International License](#)