

# School District Accounting Advisory Committee

Selected Accounting Topics for Review and prepare for  
changes to the 2024–25 School District Accounting Manual

December 13, 2023



Washington Office of Superintendent of  
**PUBLIC INSTRUCTION**

# Today's Agenda

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| <ul style="list-style-type: none"><li>• <u>OSPI Updates</u>: [SHB 1208 LAP / ISS Protocol] — [September CEP Allocation NEW INFO]- [Certificated Contractors and PSES]</li><li>• <u>SAO Updates</u></li><li>• CTE Sub-Committee Review:</li><li>• Random Updates</li><li>• Transportation Safety Net Considerations</li><li>• NCES Codes for Debit and Credit Transfers</li><li>• Minor Accounting Manual Edits</li><li>• Change to Federal Micro-Purchase Threshold Guidance</li></ul> | <ul style="list-style-type: none"><li>• Update on E-Rate—Federal.</li><li>• Capitalization Threshold for Leases</li><li>• Journal Entry Illustrations for Contractual Obligations</li><li>• Sub-Committee: Leases: GASB 87 Leases and RCW 28A.335.170</li><li>• Sub-Committee: F-195 Programming</li><li>• Sub-Committee: Indirect Rates</li><li>• Other Topics</li></ul> |
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# OSPI Update: SHB 1208 LAP / ISS Protocol Conversation Tabled

- Bill language says that districts may spend up to 15% of their LAP and LAP High Poverty for outcomes of the ISS protocol.
- Are districts aware of this?
- Are there common activities that districts implement?
- How do districts account for those funds?

# OSPI Update: September CEP Allocation

- Question on how to calculate federal interest
- Claiming CEP Meals through WINS
- Liquidation within 120 calendar days from 9/30
- CNS is monitoring WINS activity
- Exploring the need for individualized recaps
- Unutilized resources will be returned

# §200.305 Federal Payment

**NEW INFO**

- Impacts **CEP** and **SCA** federal resources
- Calculate a proportionate share of interest income

For returning interest on Federal awards not paid through PMS, the refund should:

- A. Provide an explanation stating that the refund is for interest; **OK...**
  - B. Include the name of the awarding agency;
    - **“Department of Education passed through from OSPI” or**
    - **“Department of Agriculture passed through from OSPI”.**
  - C. List the Federal award number(s) for which the interest was earned; and **The ALN is OK. But the award number is different.**
    - For CEP: The “PR/AWARD NUMBER” from the ESSER II GAN: **S425D210015**
    - **The FAIN for SCA is 237WAWA3N8903**
- A. Make returns payable to: Department of Health and Human Services.

# §200.305 Federal Payment **NEW INFO**

11. When returning funds or interest to PMS you must include the following, as applicable:

- i. **For ACH Returns:** Routing Number: 051036706 Account number: 303000 Bank Name and Location: Credit Gateway—ACH Receiver St. Paul, MN
- ii. **For Fedwire Returns:** Routing Number: 021030004 Account number: 75010501 Bank Name and Location: Federal Reserve Bank Treas NYC/Funds Transfer Division New York, NY
- iv. **For recipients that do not have electronic remittance capability,** please make check payable to: “The Department of Health and Human Services.” Mail Check to Treasury approved lockbox: HHS Program Support Center, P.O. Box 530231, Atlanta, GA 30353–0231

# Certificated Contractors and PSES

- When District B's programs are being serviced by certificated-contractors (under contract through District A)...
- And District B is paying District A for these professional services...
- How does District B get PSES staffing credit?

Thoughts and Comments?

# Certificated Contractors and PSES – OSPI Thoughts

- A Certificated-Contractor would be identified on the S-275 by the district (District A) who has the contract for services with the contractor.
- (District A) claims the Certificated-Contractor's FTE on the S-275
- The FTE should be calculated if the contractor is utilized by (District A) to support an Interdistrict service arrangement with (District B).
- The Certificated-Contractor does not qualify to be reported on (District B's) S-275.
- But District B would report the Certificated-Contractor in the Supplemental Tool.



# SDAAC Sub Committee: The CTE Funding Model

- The CTE Sub-Committee met on December 7
- **Feedback from Sub-Committee Members**
- Still Very Preliminary Discussions
- More Allowable Activities in Program 31
- Removing CTE Carryover from Program 31 for use as CTE Major Projects.

# OSPI Update - Random Items

1. Supply Chain Assistance is not identified as "COVID-19" on the SEFA.
2. Accounting Manual Addendum #1: In-Lieu of Student Transportation is removed from SDAM changes.
  - Potential new legislation around this topic

# Transportation Safety Net Considerations

- Emphasis on identifying “Distinct Passenger Categories”
  - Special Education
  - Homeless
  - Foster Care
  - Attending Skill Center
- Consider How to Separate Costs and Reporting in the F-196
- Legislative efforts seem geared towards identifying these cost categories.
- Prior year work-arounds to identify allowable costs are not a solution.

# Transportation Safety Net Considerations

- May need **separate Accounting Codes** for **Distinct Passenger** costs.
- May require separate NCES Object (0 & 1) Codes for each group.
- Open Activity 59, Object 0, and do Debit / Credit Transfers (**Net Cost = \$0**) for Distinct Passenger Trip Billings.
- 99-59-**0991**; 99-59-**0992**; 99-59-**0993**; 99-59-**0994**; Distinct Passenger Costs
- 99-59-**1991**; 99-59-**1992**; 99-59-**1993**; 99-59-**1994**; Credit Transfers

Program 99			Debit Transfer	Credit Transfers	Cert Salaries	Class Salaries	Taxes & Benefits	Supplies	Purch Services	Travel	Capital Outlay
		Total	<b>0</b>	<b>1</b>	2	3	4	5	7	8	9
<b>59</b>	<b>Transfers</b>	<b>\$0</b>	<b>\$100</b>	<b>(\$100)</b>							

- May need to create separate NCES Object Codes in Activity 52, Object 7, Purchased Services (Third Party Providers) for each Distinct Passenger Category.

# NCES Codes for Debit and Credit Transfer Items

- **Food Service, Activity 49** – (Program and Activity Charges); (ASB); (Large Event Catering) – Other items...
- **Transportation, Activity 59** – Non To and From Instructional; ASB; Non-Pupil; Transportation Co-Ops; Service Arrangements with Other Government Agencies; Distinct Passengers Groups: (SpEd); (McKinney Vento); (Foster); (Skill Ctrs); Other items
- **Motor Pool, Activity 75** – Meal Distribution; Tech Support Vans; Admin Support Vehicles; In-lieu of Pupil Transportation
- **Debt Service, Activity 85** – Debt Service Transfers
- **OTHER**
- We need a comprehensive listing of Object 0 and 1 Items.

# Minor Accounting Manual Edits

- Notations below Federal Revenue Account Codes in the Accounting Manual will follow the Coding Notes provided in Chapter 5, Page 5-29:

## Coding Notes

- Revenues beginning with **61** are federal revenues that come through OSPI.
- Revenues beginning with **62** are federal revenues that come directly from a federal agency.
- Revenues beginning with **63** are federal revenues that come indirectly through a nonfederal agency other than OSPI

# Minor Accounting Manual Edits

## Minor edit to SEFA guidance in Chapter 5, Page 5-69:

When an ALN is not known, or in rare cases where there isn't one: Districts should follow the guidance provided in the SEFA instructions. They must use the same structure that's required for the Federal Audit Clearinghouse: 10.U01, 10.U02, etc.

### Guidance removed

- After these digits a period should be placed and the word "Unknown" is written.
- Example: "10.unknown" or "10.999" indicate a program from the Department of Agriculture for which the ALN could not be obtained.

### Guidance added

- After these digits a period should be placed and "U01" is written. Refer to the SEFA Instructions on the [ABFR webpage](#) for additional guidance.



# Accounting Manual Edit: Chapter 9, Federal Micro-Purchase Threshold

Micro Purchase Threshold for public works construction projects is \$2,000.

*Micro-purchase threshold* means \$10,000, except it means—

- For acquisitions of construction subject to 40 U.S.C. chapter 31, subchapter IV, Wage Rate Requirements (Construction), \$2,000;

***48 CFR Part 2 Subpart 2.1 definitions***



# Micro-Purchase Narrative Guidance

When federal funds are used to purchase services:

- For the acquisition of public works construction projects subject to wage rate requirements, the Micro-Purchase Threshold is \$2,000. Projects below the threshold do not require quotes. However, districts must consider price to be reasonable, and, to the extent practical, distribute equitably among service providers.
- Purchases of \$10,000 or less for other purchased services do not require quotes....

Questions or Thoughts?

# E-Rate—Federal

- SAO confirmed with the FCC:
- No plans to apply the Single Audit Act to ALN 32.004 and 32.005.
- E-Rate is described as ALN 32.004
- E-Rate is a Federal Program effective September 1, 2023.
- E-Rate will not be reported on the SEFA.

# E-Rate—Federal

- Although the provisions of Sub-Part F (Audit Requirements) do not apply to E-Rate, other monitoring is applicable.
- A limited number of 2 CFR § 200, Subparts C-D apply to the E-Rate program, specifically:
  - 2 CFR § 200.203 - Requirement to provide public notice of Federal financial assistance programs;
  - 2 CFR § 200.303 – Internal controls; and
  - 2 CFR §§ 200.331-333 - Subrecipient Monitoring and Management.
- The FCC has additional monitoring requirements to ensure compliance and to verify information about payments.

# E-Rate Accounting — Best Practice

- The School District Accounting Codes for Federal E-Rate are effective from September 1, 2023.
- Use Revenue Code 6210 and Program 79, Activity 66 to record all E-Rate Transactions.
- You should be able to distinguish and match federal fiscal awards:
  - FY23 E-Rate Award and Expenditures from the
  - FY24 E-Rate Award and Expenditures
- **Questions and Observations about Accounting for E-RATE?**

# Change to SDAM: Chapter 3, Page 3-52

## ***Capitalization Threshold for Leases***

- School Districts may establish a lease liability threshold for leases that are clearly **trivial** ~~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 **however, the capitalization thresholds aren't expected to change frequently from year to year.....**
- **Do we prescribe threshold formulas in the Accounting Manual?**

# Prescribing Capitalization Threshold Formulas

## ***Capitalization Threshold for Leases***

... The threshold should be established at a small enough level such that the leases excluded would be clearly **trivial** insignificant to financial reporting in aggregate. **Examples of capitalization thresholds considered trivial individually or in the aggregate might be:**

- **.02% of assets. (\$25 Million Assets X .02% = \$5,000)**
- **Or a \$5,000 base amount and \$10,000 (for larger districts).**

In establishing a threshold, districts should consider the different types and groups of leases they have, and management information needs.

# Journal Entry Illustrations for Contractual Obligations

The initial recognition of the contractual obligation and the Other Financing Source. Program 97 records the Capital Outlay.

General Ledger Account	Subsidiary Ledger Required	Account Title	Debit	Credit
530	97-85-973X	Debt Service Expenditures	55,791	
965	9500	Other Financing Sources		55,791

To record the acquisition of capital assets using a conditional sales contract or a long-term non-voted note. The present value amount of \$55,791 is recorded as a capital outlay expenditure in Activity 85 for the item acquired; and the \$55,791 is recorded to Account 9500, Other Financing Sources.

# Journal Entry Illustrations for Contractual Obligations

The periodic payments to the contract/vendor; The charges for principal and interest payments go in Program 97.

General Ledger Account	Subsidiary Ledger Required	Account Title	Debit	Credit
530	97-83-7832	Periodic Interest Payment	114	
530	97-84-7831	Periodic Reduction of Principal	886	
241		Warrants Outstanding		1,000

To record the periodic expenditures for the contractual obligation. Principal and Interest payments are recorded in Activities 83 and 84.



# Journal Entry Illustrations for Contractual Obligations

This DR/CR Transfer shifts the cost of the Contractual Obligation to the Program responsible for the acquisition and debt.

General Ledger Account	Subsidiary Ledger Required	Account Title	Debit	Credit
530	PP-AA-OXXX	Periodic Usage Fee – Charge to Program	1,000	
530	97-85-1XXX	Periodic Usage Fee – Credit from Debt Service		1,000

This is a Debit/Credit Transfer to charge the Program responsible for the acquisition of the asset. The Program is held responsible to budget for the costs. This transaction moves the periodic costs from Activity 85 to the Program as a “service or usage fee” charge.

# SDAAC Sub Committee: Leases

## Modifying Lease Guidance for PV Calculation

- First Meeting TBD — Who wants to take the lead on this?
- Current Group: Alphonso Melton, Paul Stone, Ryan Montgomery, Holly Burlingame, Sarah Jahn
- Other Volunteers? Jason Williams, Joanne Klein, Heather Korten, Cindy Coleman
- GASB 87 Guidance in conflict with RCW 28A.335.170
- Any SDAAC Modification of GASB 87 would be a departure from GAAP



# SDAAC Sub Committee: Leases Leases (& SBITAs) in the Capital Projects Fund

- Prior to GASB 87, we used the standard of "Capital Leases" to determine if a lease could be charged to the Capital Projects Fund.
- This affects SBITA's as well.
  - Can we record the initial cost 530 and 965 in the CPF? — Yes
  - Can we record the interest and principal payments in the CPF? — Yes
  - Is it an operating cost accounted for in the GF and money transferred from CPF to GF to cover? — No, the periodic payments for principal and interest would be budgeted from CP resources.
- **Other Thoughts, Comments?**

# SDAAC Sub Committee: Modifications to F-195 Programming

- First Meeting TBD
- Need F-195 and the F-200 EDS Systems to Roll Over
- Current Volunteers:
  - Jason Williams; Travis Belisle
  - Mitch Thompson; Tara Santucci
  - Michelle Matakas; Melissa Jarmon
  - Lee Wlazlak; Paul Stone

# SDAAC Sub Committee: Modifications to F-195 Programming

- Review and Research F-195 Programming — Input Flexibility around Levy Amounts — F-195 roll back issues — Levy percentages on the forms — More freedom to input amounts to Revenue Code 1100.
- Add line for Levy Reduction Amount when Districts have exceeded current Budget Authority
- Review Budget Form GF 14 — Long Term Financing — Conditional Sales Contracts — In relation to RCW 28A.335.170

**Discussion, Feedback, Comments, Questions?**

# SDAAC Sub Committee: Indirect Rate Rule Changes

- First Meeting TBD
- Current Group: Michelle Matakas, Paul Stone, Amy Harris, Mike Sando, Ryan Montgomery, Holly Burlingame; Jason Williams, Barb Piguet
- 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

# SDAAC Sub Committee: Indirect Rate Rule Changes

- May rewrite WAC 392-122-900(3)(c) to include a new rule for a maximum allowable state recovery rate.
- May rewrite the WAC and eliminate the current recovery rate methodology and use the Federal Unrestricted Indirect Rate.
- Other Volunteers?
- **Discussion, Comments, Questions about Indirect Rates?**

# Other Old or New Business

- Any Additional Topics for Discussion?
- What did I forget to add to the Discussion?



# Updated SDAAC Meeting Schedule

Tuesday, January 23	9-10:30 am	OSPI Video- Conference	Regular Committee Meeting
Wednesday, March 13	9-11 am	OSPI Video- Conference	Regular Committee Meeting

# Final Thoughts

The next meeting is scheduled for Tuesday, January 23<sup>rd</sup>.

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.



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# Additional Information on Topics Presented

# E-Rate Program (Extra Notes)

- In the case of the E-Rate program, an award is made in the form of a Funding Commitment Decision Letter.
- Non-Federal entities that receive E-Rate funding commitments are recipients of a Federal award regardless of whether the non-Federal entity chooses to receive:
  - a direct reimbursement against the commitment or
  - has its service provider seek reimbursement on its behalf.
- Participants may be subject to program compliance audits through USAC
- USAC conducts these audits with FCC oversight.

# State Recovery Rate (Rule in WAC)

- 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.

## One Proposal

- (iv) The maximum allowable state recovery rate shall not exceed ## percent.

# Calculate PV of a Lease: (extra slide) Based on GASB 87 or by RCW Duration

## *Calculation of the Lease Liability*

- The lessee should initially measure the lease liability at the present value of payments expected to be made during the **lease term**.
- **Lease term**: The period during which a lessee has a non-cancelable right to use an underlying asset, **plus periods covered by a lessee's or lessor's option to extend the lease...**

## **RCW [28A.335.170](#) Contracts to lease**

The board of directors of any school district may enter into contracts...

- (1) To rent or lease **building space and portable buildings for periods not exceeding ten years** in duration;
- (2) To rent security systems, computers, and other equipment or to have maintained and repaired security systems, computers, and other equipment **for periods not exceeding five years** in duration;



# SDAAC Sub Committee: Leases Capitalization Threshold — Clearly Trivial

- **FASB ASC 842 Lease Capitalization Policy**
  - Auditors are required under AU-C 450, to accumulate and report misstatements that are more than “**clearly trivial**”.
  - School Districts 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.
  - 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].*