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Washington Office of Superintendent of
PUBLIC INSTRUCTION
Chris Reykdal, Superintendent

## 2022–23 School District Accounting Manual Revisions – (220802 Gov Delivery)

Good morning,

The purpose of this GovDelivery notice is to advise school districts of the revisions to the *Accounting Manual for Public School Districts in the State of Washington (Accounting Manual)*. The effective date of the revisions is September 2022, and the changes are applicable to the school district fiscal year beginning September 1, 2022.

When published, the *Accounting Manual* can be accessed at this link, *Accounting Manual*, on the OSPI, School Apportionment website. The online "print version" is designed to produce double-sided copies. Hardcopies of the *Accounting Manual* can be ordered and purchased from School Apportionment and Financial Services (SAFS) by calling at 360-725-6300 or OSPI SAFS, P.O. Box 47200, Olympia, WA 98504.

The revisions to the *Accounting Manual* represent the work of the School District Accounting Advisory Committee that is advisory to the Office of Superintendent of Public Instruction and the State Auditor's Office. Committee members are representatives of the Washington Association of School Business Officials, the Washington Association of School Administrators, the Washington Association for Career and Technical Education, the Washington School Information Processing Cooperative, the Association of Educational Service Districts, the State Auditor's Office, and Office of Superintendent of Public Instruction. All meetings are open to the public. Committee information is located on the OSPI website at School District Accounting Advisory Committee.

## 2022–23 SCHOOL DISTRICT ACCOUNTIING MANUAL REVISIONS

### INTRODUCTION—EXECUTIVE SUMMARY

Minor edits have been made to the Executive Summary pages in the Introduction section of the Accounting Manual. Executive signatures have been removed. The signatures were relevant when the sections *Changes to Modified Accrual Financial Statement Audit Reports* and *Accounting and Auditing Requirements Contained in E2SSB 6362* were initially published.

### CHAPTER 3—ACCOUNTING GUIDELINES

**On page 3-34**, Claims and Judgments guidance is modified to include the reference to self-insurance risk. The text identifying the conditional thresholds: Probable, Reasonably Probable, and Remote are bolded for emphasis.

**On page 3-36**, SBITAs is added as a new bullet-point in the introduction section of Short-term and Long-term Obligations.

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

- Short-term obligations (Chapter 39.50 RCW)
- Conditional sales contracts for acquisition of property (RCW 28A.335.200)
- General obligation notes and bonds issued without vote of the people for the purchase of real and personal property (RCW 28A.530.080)
- Leases (RCW 28A.335.170)
- Subscription-based Information Technology Arrangements (SBITAs)

**On page 3-41**, accounting guidance is added to clarify the recognition of an expenditure when the district incurs a non-voted debt financing arrangement.

Financing through the use of a long-term conditional sales contract requires the school district recognize the expenditure (debit Account 530), Program 97, Activity 85 (Debt Service Expenditures), and an Other Financing Sources (credit Account 965) equal to the net present value of the minimum lease payments in governmental funds.

**Beginning on page 3-53** a new section is added to provide accounting guidance for subscription-based information technology arrangements (SBITAs).

A SBITA is a contractual obligation that results in the right-to-use a subscription asset (an intangible asset) for a period of time greater than a year and the recognition of a long-term liability reported on the schedule of long-term liabilities. Along with the periodic subscription payments, the contractual obligation requires the recognition of an Other Financing Source for the initial subscription liability amount, including any implementation costs included in the SBITA contract. School districts should recognize the subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The subscription term includes the period during which a government has a noncancellable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend (if it is reasonably certain that the government or SBITA vendor will exercise that option) or to terminate (if it is reasonably certain that the government or SBITA vendor will not exercise that option).

The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the school district, which may be implicit, or the district's incremental borrowing rate if the interest rate is not readily determinable. School districts should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.

To the extent relevant, the guidance for SBITAs is based on the standards established under GASB Statement 87—Leases and described in Chapter 3 of the *School District Accounting Manual*.

**On page 3-56**, Unemployment Compensation, Self-Insured guidance is modified. The periodic fees developed and recorded by the school district to keep the self-insurance activity solvent over time are treated separately from the annual measurement of the self-insurance activity reported on the financial statements.

The school district will have to be certain that the amount set aside to finance potential future claims will be sufficient to cover:

- Claims incurred and claimed but not paid
- Claims incurred but not claimed
- Claims not yet incurred but highly possible

If excess insurance is purchased, the cost of the insurance should be considered.

The reporting of Unemployment Compensation activities on the balance sheet and resource flows statement must be consistent with the modified accrual basis of accounting. Refer to the accounting for *Claims and Judgements*. As such, the reported benefit payable liability must be probable, reasonably estimated, and normally liquidated with current financial resources.

**On page 3-58**, Workers Compensation, Self-Insured guidance is modified similar to Unemployment Compensation. The following statements are added.

The reporting of Workers Compensation activities on the balance sheet and resource flows statement must be consistent with the modified accrual basis of accounting. Refer to the accounting for *Claims and Judgements*. As such, the reported benefit payable liability must be probable, reasonably estimated, and normally liquidated with current financial resources.

## Chapter 4–General Ledger Accounts

**On page 4-34,** the guidance for general ledger code 716 is modified for self-insurance and risk assessment.

## 716* Claims and Judgements—Long Term

Applicable Fund: (SLTL)
Account balances are to be included on the Schedule of Long-Term Liabilities. Record in this account any filed and unfiled claims and other impairments of the district's assets. Such claims may include job-related illness, injury to employees, workers compensation claims (including self-insurance), unemployment compensation claims (including self-insurance), judgments and damages, auditor's exceptions and monetary findings and acts of God. ~~Record here only those items that have a reasonable possibility of occurrence—more than remote and less than likely. If the item is probable, the event is likely, and the amount can be reasonably estimated, a liability in the fund responsible should be recorded for amounts that would normally be liquidated with current financial resources.~~ If a claim is asserted and the probable loss can be reasonably estimated, the liability should be recognized. Incidents often occur before the end of the school year where claims are not reported or asserted when the financial statements are prepared. If an incurred but not reported (IBNR) loss can be reasonably estimated, and it is probable that a claim will be asserted, the liability should be recognized. Estimation of IBNR losses should be based on historical experience.

### Chapter 5–Revenues and Other Financing Sources

**On page 5-23**, Revenue 4171 Traffic Safety Education is removed from the Accounting Manual.

> ~~4171 Traffic Safety Education—Inactive Account~~
> ~~Applicable Fund: (GFS)~~
> ~~*Effective FY 2002–03, state funding for traffic safety education is not currently being funded.* Record revenue from OSPI for traffic safety education courses.~~
> ~~(Reference: RCW 28A.220.010 through 28A.220.900 and chapter 392-153 WAC.)~~

**On page 5-68**, The Catalog of Federal Domestic Assistance (CFDA) is retitled by the federal government. The new title is the Federal Assistance Listing Numbers (ALN). References to CFDA is replaced with ALN and the guidance is modified below.

### Reporting Federal Assistance Listing Numbers (ALN)

Assistance Listings Numbers (ALN) are related to federal programs and provide detailed public descriptions of grants and other types of assistance to school districts and other entities. Assistance Listing Numbers (ALN) were formerly referred to as the Catalog of Federal Domestic Assistance (CFDA) numbers. The ALNs are typically five-digits with a period between the second and third digits. The first two digits are assigned to the federal awarding agency (e.g., 10.550 is Food Distribution under the National School Lunch Act).

Every effort should be made to obtain the ALN for each program for which federal assistance is received. It is best to obtain this information when the contract or agreement is entered into. The catalog of Assistance Listings is available online at Assistance Listings.

## Chapter 10–CPF and TVF Fund

**On page 10-27**, the Transportation Vehicle Fund (TVF) is modified by SHB 1644, allowing TVF resources to be used for the costs of electric and zero emission vehicles. SHB 1644 created RCW 28A.160.130(2)(d), (2)(e), and (2)(f).

New expenditure Type Codes are added to the TVF:

### 40 Energy

43 Transportation Vehicle Energy Audits
44 Transportation Equipment Capital Improvement

**On page 10-28**, Type Code 34—Transportation Equipment Major Repair is modified.

### 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. Also, record expenditures for converting or repowering existing gas or diesel pupil transportation vehicles to electric or zero emission pupil transportation vehicles. (RCW 28A.160.130.(2)(f).

**On page 10-28**, Type Codes 43 and 44 are added to the TVF for zero emission and electric pupil transportation vehicles.

### 43 Transportation Vehicle Energy Audits

Record expenditures associated with a feasibility plan to transition from gas or diesel pupil transportation vehicles to electric or zero emission pupil transportation vehicles. (RCW 28A.160.130.(2)(d)

### 44 Transportation Equipment Capital Improvement

Record expenditures for the purchase, installation, and repair of electric pupil transportation vehicle charging stations and other zero emission pupil transportation vehicle fueling stations and for other costs necessary for station installation. (RCW 28A.160.130.(2)(e).

## Chapter 11–Debt Service Fund

**On page 11-17**, Journal Entry illustrations referencing *Bonds Payable—Long Term* inadvertently use the obsolete General Ledger code GL 690. The illustrations are corrected to show GL 701.

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