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Washington Office of Superintendent of
PUBLIC INSTRUCTION
Chris Reykdal, Superintendent

2023–24 School District Accounting Manual Revisions – (230804 Gov Delivery)

Purpose/Background

The purpose of this bulletin is to advise school districts of the revisions and distribution of the *Accounting Manual for Public School Districts in the State of Washington (Accounting Manual)*. The *Accounting Manual* is revised for the 2023–24 school year and the effective date of these revisions is September 1, 2023.

The *Accounting Manual* is distributed electronically; printed copies are not mailed to school districts. The *Accounting Manual* can be accessed on the OSPI website under the School Apportionment and Financial Services (SAFS) webpage and selecting the heading Accounting Manual. The Accounting Manuals are stored by fiscal year. When available, select the 2023–24 tab for the newest edition. The *Accounting Manual* online "print version" is designed to produce double-sided copies. Hardcopies of the *Accounting Manual* can be ordered from School Apportionment and Financial Services (SAFS) for a fee by contacting Carrie Hert at 360-725-6300, Carrie.Hert@k12.wa.us, or OSPI SAFS, P.O. Box 47200, Olympia, WA 98504.

School District Accounting Advisory Committee

The revisions to the *Accounting Manual* represent the work of the School District Accounting Advisory Committee that, by statute, 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 including minutes are located on the OSPI website at "Workgroups & Committees".

Information and Assistance

For questions regarding this bulletin, please contact Paul Stone, Supervisor of School District Accounting at 360-725-6303 or by email at paul.stone@k12.wa.us. The OSPI TTY number is 360-664-3631. This bulletin is also available on the OSPI website at Accounting Manual.

Note: Boxes surrounding narrative in this bulletin provides information regarding the revisions.

2023–24 SCHOOL DISTRICT ACCOUNTIING MANUAL REVISIONS

In Chapter 3, Page 3-20:
Under the section Imprest Bank Accounts, Petty Cash, Stamp, and Change Funds, minor edits were made to remove ambiguous phrases and WAC references were added. The bullet-points illustrated here were modified. Changes are bolded and underlined for emphasis.

- The board of directors of the school district must authorize **the establishment, disposition of,** and the maximum amount allowable by resolution. Such resolution may specify controls such as surprise cash counts by district staff.

- Replenishment expenditures shall be itemized for inclusion into the accounts payable vouchers on a periodic basis, usually monthly, unless the nature of the account dictates some other periodic cycle. The replenishment request should include such information as board policy or procedure prescribes including, but not limited to, identification of vendor invoice, vendor receipt, account code, or other data deemed pertinent (**Ref: WAC 392-138-018; WAC 392-138-120**).

In Chapter 3, Page 3-63:
Under the section Interfund Transfers a minor correction to an RCW reference was made. The applicable section is illustrated here.

- Additional statutory authority has been granted enabling districts to:

Transfer moneys related to state forest revenue from the Debt Service Fund to the Capital Projects Fund (RCW 28A.320.330(3) and RCW 79.64.110(**2**)).

The incorrect reference was RCW 79.64.110(**3**).

In Chapter 3, Page 3-73:
Topics related to federal program cost consideration and indirect rates are removed from Chapter 3 and consolidated in Chapter 9. During the consolidation, duplicative guidance was removed. The essence of the guidance was not changed. Illustrated below is the old, 2022–23 Chapter 3 table of content. These are the topical sections removed from Chapter 3 and placed in Chapter 9.

Illustrated here is the old, 2022–23 Chapter 9 table of content depicting the sections on the indirect rate topic before the compilation.

Illustrated here is the new, modified 2023–24 Chapter 9 table of content depicting the compiled guidance for federal requirements. During the merge of information, the topics were compared and edited, removing duplicative guidance. The complete text, included in Chapter 9, is provided later in this bulletin.

In Chapter 4, Page 4-45:
A new General Ledger Account Codes is being added to the Chart of Accounts for the Transition to Kindergarten (TTK) program. Enabling legislation restricts the resources provided for the TTK program to be expended only for the support of operating the program. This GL code allows districts to report unused resources that are carried over to future periods.

823 Restricted for Carryover of Transition to Kindergarten Revenue
Applicable Fund: (GF)

This account is used to identify a restriction of fund balance at year-end for amounts determined to be unspent carryover funds with restricted use. Funding provided for the transition to kindergarten program is not part of the state's statutory program of basic education under RCW 28A.150.200 and must be expended only for the support of operating a transition to kindergarten program.

- Credit with the amount of the restriction. (Contra entry: debit Account 890 Unassigned Fund Balance.)
- Debit with the amount to be unrestricted when the purpose for the restriction has been met.

In Chapter 4, Page 4-53:
A new General Ledger Account Codes is being added to the Chart of Accounts for the Depreciation Sub-Fund for Facility Maintenance. SB5403 establishes the school district depreciation sub-fund for facility maintenance in the general fund. SB5403 limits the establishment of the depreciation sub-fund to second class school districts with fewer than 2000 students. The bill provides that school districts may take action to establish the sub-fund. A school board action to utilize resources for a specific purpose is defined as a "commitment" of those resources.

873 Committed to Depreciation Sub-Fund for Facility Maintenance
Applicable Fund: (GF)

Commitments of fund balance require a formal action by the school district's board of directors, such as a school board policy or a resolution of the board of directors. Specific circumstances and conditions must be described to set aside funds in this account. Amounts set aside may only be expended when specific conditions exist. The depreciation sub-fund provides for the school district to reserve funds for future facility and equipment needs. Up to two percent of a school district's general fund may be deposited each fiscal year into the depreciation sub-fund for the purpose of preventative maintenance or emergency facility needs.

Details of commitments, including the nature of the commitment and the date of the board action creating the commitment, should be included in the Notes to the Financial Statements.

In Chapter 4, Page 4-56:
New General Ledger Account Codes are being added to the Chart of Accounts. *GASB Statement 100: Prior Year Accounting Changes and Error Corrections* modifies financial reporting for accounting changes and error corrections to provide more understandable and comparable information for making decisions or assessing accountability.

Two new General Ledger Account Codes: GL 896 & GL 897 are added to the Chart of Accounts and the title of GL 898 is modified.

896 Change in Accounting Principles
Applicable Fund: (GF, ASB, DSF, CPF, TVF, PF, PPTF, PTF)

This account is used to record the cumulative effect of change in accounting principles. The use of GL 896 is considered an adjustment in the beginning fund balance and amounts recorded in the account are temporary in nature. Reference GASB 100 Par. 5-6.

The total is closed to Account 890 Unassigned Fund Balance at the end of the fiscal year for the General Fund, or Account 889 Assigned to Fund Purposes for all other funds.

Note: *Changes in Accounting Estimates* are reported prospectively by recognizing the change in accounting estimate in the reporting period in which the change occurs. An adjustment to beginning fund balance is not reported. Changes are reported within existing affected accounts. Reference GASB 100 Par. 7-8.

897 Change to or within the Financial Reporting Entity
Applicable Fund: (GF, ASB, DSF, CPF, TVF, PF, PPTF, PTF)

This account is used to record the amount of prior year change in accounting estimates. A prior period adjustment and the use of GL 897 is considered an adjustment in the beginning fund balance and amounts recorded in the account are temporary in nature. (Reference GASB 100 Par. 9-11).

The total is closed to Account 890 Unassigned Fund Balance at the end of the fiscal year for the General Fund, or Account 889 Assigned to Fund Purposes for all other funds.

898 Prior Year Error Corrections
Applicable Fund: (GF, ASB, DSF, CPF, TVF, PF, PPTF, PTF)

This account is used to record the amount of prior year error corrections. A prior period adjustment and the use of GL 898 is considered an adjustment in the beginning fund balance and amounts recorded in the account are temporary in nature.

The total is closed to Account 890 Unassigned Fund Balance at the end of the fiscal year for the General Fund, or Account 889 Assigned to Fund Purposes for all other funds.

In Chapter 5, Various Pages:
The title of Program 88 was changed from "Child Care" to "Early Learning". This change requires the revenue codes associated with Program 88 be updated. Below is the list of revenue codes in Chapter 5 that are renamed "Early Learning".

Revenue Code	Titles changed from Child Care to Early Learning
2188	Early Learning—Tuition and Fees
2288	Early Learning—Sales of Goods, Supplies, and Services
4188	Early Learning
4388	Early Learning—Other State Agencies
6188	Early Learning
6288	Early Learning
6388	Early Learning
8188	Early Learning

In Chapter 5, Page 5-21:
A new revenue code is added to the Chart of Accounts for state funding provided for the Transition to Kindergarten program.

4109 Special Purpose—Transition to Kindergarten
Applicable Fund: (GFL)

Record revenue from OSPI for Transition to Kindergarten programs operated by the district meeting all eligibility requirements. This funding is considered enrichment resources and not part of the state's statutory program of basic education. The funding provided must be expended only for the support of operating a Transition to Kindergarten Program.

(Reference: SSHB 1550, Chapter 28A.300 RCW, RCW 28A.225.160, and 43.88C010)

In Chapter 5, Page 5-29:
A new revenue code is added to the Chart of Accounts for federal resources provided for the Transition to Kindergarten program.

6109 Special Purpose—Transition to Kindergarten
Applicable Fund: (GFL)

Record resources received from OSPI for allowable costs for the Transition to Kindergarten programs operated by the district meeting all eligibility requirements. This funding is considered enrichment resources. The funding provided must be expended only for the support of operating a Transition to Kindergarten Program.

(Reference: SSHB 1550, Chapter 28A.300 RCW, RCW 28A.225.160, and 43.88C010)

In Chapter 5, Page 5-35, Page 5-45, and Page 5-55:
The list of specific programs included under *ESEA Disadvantaged—Federal* is modified. This change is reflected in Revenue Codes 6151, 6251, and 6351.

6151 ESEA Disadvantaged—Federal
Applicable Fund: (GFS)

Record revenue from federal grants received through OSPI to assist school districts in providing services to educationally deprived children living in low-income areas, local institutions for neglected and delinquent youth, and youth living in non-state operated group homes. Schools identified for supplemental services under school improvement should report revenues for services to students from low socio-economic families.

Specific programs include, but are not limited to, the following:

- Title I, Part A—Basic (includes Title I, Part A set aside for neglected and delinquent included in Title I, Part D, subpart 2)
- Title I, Part B 2—Early Reading First
- Title I, Part G—Advanced Placement
- Title X, Part C—McKinney-Vento Homeless Assistance Act, Subtitle B

See 6251 for this type of revenue received directly from the federal agency.
See 6351 for this type of revenue received from agencies other than OSPI.

In Chapter 5, Page 5-35, Page 5-46, and Page 5-56:
The list of specific programs included under *Other Title Grants Under ESEA—Federal* is modified. This change is reflected in Revenue Codes 6152, 6252, and 6352.

6152 Other Title Grants Under ESEA—Federal
Applicable Fund: (GFS)

Record revenue from federal grants received through OSPI designed to assist school districts in improving the quality of education. Specific programs include, but are not limited to, the following:

- Title II, Part A—State Grants for Improving Teacher Quality
- Title IV, Part A— Student Support and Academic Enrichment Grants
- Title IV, Part B—21st Century Learning Centers
- Title V, Part B (1) and (2)—Rural and Low-Income Schools

See 6252 for this type of revenue received directly from the federal agency.
See 6352 for this type of revenue received from agencies other than OSPI.

In Chapter 5, Page 5-40
A new revenue code is added to the Chart of Accounts for federal resources provided for the E-Rate—Federal program.

At the time of this accounting announcement, the federal guidance for E-Rate is not completed. We do not have an effective date to implement E-Rate as a federal program. This guidance is being provided in anticipation of an effective date that impacts the school year 2023–24.

The FCC is making changes to SAM.gov regarding Assistance Listing Number 32.004 Universal Service Fund – Schools and Libraries, specifically, making it subject to the Uniform Guidance 2 CFR 200 Subpart F Audit Requirements (previously it was not).

E-Rate is administered through the Universal Service Administration Company (USAC). The (USAC) administers all of FCC's Universal Service Fund programs. Per SAM.gov, this program is considered a direct award from FCC and school districts are considered direct recipients.

This revenue code signals a major change in how school districts operate their E-Rate program.

Please review the associated guidance provided later in the announcement under Activity 66, E-Rate—Federal. Under the new federal designation, E-Rate revenues and expenditures will be classified as Sub-Fund 0.

6210 E-Rate—Federal
Applicable Fund: (GFS, CPF)

Record resources awarded by the FCC for the Universal Service Fund – Schools and Libraries, Assistance Listing Number 32.004. E-Rate is administered through the Universal Service Administration Company (USAC). The (USAC) administers all of FCC's Universal Service Fund programs. Per SAM.gov, this program is considered a direct award from FCC and school districts are considered direct recipients.

The resources are provided for discounts for telecommunications, internet access, and internal connections.

School districts that receive E-Rate funding commitments are direct recipients of a 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.

In Chapter 5, Page 5-65:
Guidance is added to Revenue 9100 Sale of Bonds to distinguish which resource code is used for “voted” versus “non-voted” debt. The section underlined below was added.

9100 Sale of Bonds
Applicable Fund: (GFL, CPF, DSF, TVF)

Record the face value of the bond sale. Bond issuance costs such as underwriter’s fees, legal counsel, and financial advisor’s fees are charged to Account 530 Expenditures in the fund receiving the proceeds from the bond sale. The bond premium or discount resulting from the difference between the stated interest rate and the market interest rate is recorded as an other financing source (premium) or other financing use (discount).

Use this resource code for financing capital acquisitions under RCW 28A.530.010 through .070 (voted debt). Use this resource code if the district takes some of its bonding authority and issue contracts under the LOCAL program, per RCW 39.94.030.

In Chapter 5, Page 5-66:
Guidance is added to Revenue 9500 Long-Term Financing to distinguish which resource code is used for "voted" versus "non-voted" debt. The section underlined below was added.

9500 Long-Term Financing
Applicable Fund: (GFL, CPF, TVF)

Record the financial inflows from long-term financing as evidenced by a formal contract for the purchase of specific services or equipment (e.g., leases for the purchase of equipment). The contract obligates the borrower to make payments in future years.

Record the face value of the non-voted bond sale. Bond issuance costs such as underwriter's fees, legal counsel, and financial advisor's fees are charged to Account 530 Expenditures in the fund receiving the proceeds from the bond sale. The non-voted bond premium or discount resulting from the difference between the stated interest rate and the market interest rate is recorded as an other financing source (premium) or other financing use (discount).

Use this resource code for financing capital acquisitions under RCW 28A.530.080 (non-voted debt) including the issuance of non-voted contracts under the LOCAL program, per RCW 39.94.030.

In Chapter 6, Page 6-16
A new Program code is added to the Chart of Accounts to account for allowable costs associated with the Transition to Kindergarten Program (TTK). SSHB1550 establishes the TTK Program. The rules require districts to adhere to specific eligibility requirements. The funding provided for this program is not part of the state's statutory program of basic education.

TTK, Program 09, is delegated as a single program code in the school district chart of accounts, but it will contain expenditures related to federal, state, and local sources.

During the 2023–24 school year, school districts will receive a federal allocation for TTK. The federal resources provided during the 2023–24 school year are *ARP EANS II*, and the ALN/CFDA Number is 84.425V. Revenue code 6109 is added to the School District Chart of Accounts for federal resources provided for the Transition to Kindergarten program. School districts will need to track their TTK federal expenditures separately from any state or local expenditures. Time and Effort tracking requirements will apply to the federal portion of TTK. The federal expenditures will need to be reported on the *Schedule of Expenditures for Federal Awards* (SEFA). The 2023–24 federal resources are expected to be a one-time federal allocation. There are no expectations that OSPI will have to allocate federal resources again for this purpose.

Revenue code 4109 is added to the School District Chart of Accounts for state funding provided for the Transition to Kindergarten program.

Indirect expenditures are not applicable to the funding provided. The Bill language states that the resources provided must be expended only for the support of operating the TTK program and best practices for site readiness of facilities used in the program. Therefore, allowable TTK Program expenditures include the instructional activity codes (21-35) and activities for site maintenance, utilities, and security (62-65 & 67). The Program Expenditure Matrix for Program 09 is illustrated later in this bulletin.

All funds used in support of the Transition to Kindergarten Program must be from enrichment sources.

There are no provisions to recover unspent resources at the end of the year. Unused resources are required to be carried over in GL 823 *Restricted for Carryover of Transition to Kindergarten Revenue*.

09 Transition to Kindergarten

Record expenditures for school districts, charter schools, and state-tribal education compact schools operating transition to kindergarten instructional programs meeting all eligibility requirements. Funding provided for the program is considered enrichment resources and not part of the state’s statutory program of basic education. The funding provided must be expended only for the support of operating a Transition to Kindergarten Program and best practices for site readiness of facilities used for the program. All funds used in support of the Transition to Kindergarten Program must be from enrichment sources.

(Reference: SSHB 1550, Chapter 28A.300 RCW, RCW 28A.225.160, and 43.88C010)

In Chapter 6, Page 6-23
The lists of specific programs included under Program 51 *ESEA Disadvantaged—Federal* and Program 52 *Other Title Grants Under ESEA—Federal* have been updated to concur with the applicable ESEA programs covered by the Maintenance of Effort (MOE) requirements under 34 C.F.R. § 299.5(b).

51 ESEA Disadvantaged—Federal

Record expenditures for federal grant programs approved by OSPI to assist districts in providing services to educationally deprived children living in low-income areas. Also record expenditures from federal entitlement grants under ESEA Title I, Part D, subpart 2, local institutions to assist school districts providing services to children under 18 years of age who have been placed in local detention centers and group homes. Schools identified for supplemental services under school improvement should report expenditures for services to students from low socio-economic families. Specific programs include, but are not limited to, the following:

- Title I, Part A—Basic (includes Title I, Part A set aside for neglected and delinquent in Part D, subpart 2)
- Title I, Part B 2—Early Reading First
- Title I, Part G—Advanced Placement
- Title X, Part C—McKinney-Vento Homeless Assistance Act, Subtitle B

NOTE: ESEA Title I, Part D, subpart 1 expenditures are recorded under program 57.

52 Other Title Grants Under ESEA—Federal

Record expenditures from federal grants designed to assist school districts in improving the quality of education. Specific programs include, but are not limited to, the following:

- Title II, Part A—State Grants for Improving Teacher Quality
- Title IV, Part A— Student Support and Academic Enrichment Grants
- Title IV, Part B—21st Century Learning Centers
- Title V, Part B (1) and (2)—Rural and Low-Income Schools

In Chapter 6, Page 6-28:
The title for Program 88 is changed from "Child Care" to "Early Learning". Below is the narrative guidance for Program 88; there are two minor edits in the guidance, underlined below.

88 Early Learning

Record expenditures for the care or instruction, or both, of children served by Preschool, Child Care, Play Groups, and Before-and-After School Care programs operated or supported by the school district.

Every board of directors shall have power to establish, equip, and maintain preschools for children of working parents, in cooperation with the federal government or any of its agencies, when in their judgment the best interests of their district will be subserved thereby.

Expenditures under federal funds or state appropriations made to carry out the purposes of RCW 28A.215.010 through 28A.215.050 shall be made by warrants issued by the state treasurer upon order of the superintendent of public instruction. School district may only utilize funds outside the state basic education appropriation and the state school transportation appropriation for services related to these programs.

Allowable program elements may include:

- Contract with public and private entities to conduct all or any portion of the management and operation of an early learning program at a school district site or elsewhere.
- Establish charges based upon costs incurred, as outlined in RCW 28A.215.050.
- Transport children enrolled in an early learning program to the program and to related sites as outlined in RCW 28A.215.050.

Program examples include, but are not limited to, the following:

- ECEAP
- Part-day or full-day preschool
- Preschool cooperatives
- Play groups (Kaleidoscope Play and Learn, 1-2-3 Grow and Learn)

(Reference: chapter 28A.215 RCW.)

In Chapter 6, Page 6-37
The title for Activity code 25 is changed from Pupil Management and Safety to Pupil Management. Safety and Security staff previously charged to this activity are being reclassified as Activity 35 Pupil Safety. Minor edits were made to the Activity 25 guidance, removing information relevant to safety and security personnel.

25 Pupil Management

Include expenditures for hall guards, crossing guards, bus aides, and playground aides. Also include expenditures for lunchroom aides when their duties involve control and assistance of students. Lunchroom aides who assist in preparation or distribution of food are charged to Activity 44 Operations.

In addition, include personnel who are involved with early identification of patterns of nonattendance, analysis of causes of nonattendance, early professional action on problems of nonattendance, and enforcement of compulsory attendance laws. Attendance secretaries whose position does not involve resolving the nonattendance issues listed above should be coded to Activity 23.

Also include administrative expenses such as cell phones that are utilized by personnel responsible for pupil management. The cost of adult crossing guards or adult supervisors for programs such as Walking School Bus should be charged to this activity within Program 99.

In Chapter 6, Page 6-41
A new Activity code is added to the Chart of Accounts to account for allowable costs associated with Safety and Security Staff. Security and Safety staff were previously coded in Activity 25 Pupil Management and Safety. The goal is to segregate pupil safety for reporting purposes.

35 Pupil Safety

Include expenditures for pupil safety personnel, or "safety and security staff" who are working on school property when students are expected to be present. As defined in RCW 28A.320.124, "Safety and security staff" means a school resource officer, a school security officer, a campus security officer, and any other commissioned or noncommissioned employee or contractor, whose primary job duty is to provide safety or security services for a public school. Employees charged to this Activity Code are required to complete the training requirements for Safety & Security Staff outlined in RCW 28A.310.515. Employee time may be split-coded to use Activity 35 so long as the employee has intended and regularly scheduled duties as a safety and security staff member as one of their primary functions.

Do not include expenditures for staff who are assigned to occasionally monitor hallways, entrances, and perimeters during peak times if their primary duty functions are other than safety and security. Continue to charge these staff as currently assigned or to Activity 25 Pupil Management.

Do not include expenditures for building security that must be charged to Activity 67 Building and Property Security.

Also include administrative expenses such as cell phones that are utilized by personnel responsible for pupil safety.

(Reference: RCW 28A.310.515; RCW 28A.320.124; RCW 28A.320.1241; RCW 28A.320.1242)

In Chapter 6, Page 6-47
A new Activity code is added to the Chart of Accounts to account for allowable costs associated with the E-Rate—Federal program. Beginning in 2023–24, we anticipate that the E-Rate program will be a federal program and subject to single audit.

At the time of this accounting announcement, the federal guidance for E-Rate is not completed. We do not have an effective date to implement E-Rate as a federal program. This guidance is being provided in anticipation that the effective date will impact the 2023–24 school year.

The new expenditure Activity Code signals a major change in how E-Rate is accounted for. When the federal rules become effective in the new school year, Activity Code 66 will only be available for federal E-Rate expenditures, and the federal expenditures can only be reported in Program 79.

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 you have your service provider seek reimbursement on your behalf. Regardless of the reimbursement process, school districts must account for the entire federal award.

E-Rate federal expenditures cannot be co-mingled with other state and local expenditures within the same activity code and E-Rate federal expenditures cannot be accounted for in another BEA or Categorical Program. Allowable costs are limited to the materials, supplies, and operating cost (MSOC) Object codes, as provided.

66 E-Rate—Federal

Include expenditures for telecommunications services, and other service assessments, discounts, or charges allowable as provided through the E-Rate funding commitment decision letter. School districts that receive E-Rate funding commitments are recipients of a 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.

This Activity Code is only available in Program 79. E-Rate expenditures cannot be co-mingled with other state and local expenditures within the same activity code and E-Rate expenditures cannot be accounted for in another BEA or Categorical Program. Allowable costs are limited to the materials, supplies, and operating cost (MSOC) Object codes, as provided.

In Chapter 6, Page 6-48
A new Activity code is added to the Chart of Accounts to account for allowable costs associated with the Depreciation Sub-Fund for Facility Maintenance. SB5403 establishes a Depreciation Sub-Fund for Facility Maintenance. This Activity Code may only be utilized upon a formal resolution of the board to commit resources for the specific purposes as outlined in legislation. The bill limits the establishment of a depreciation sub-fund to second class districts with fewer than 2000 students. Activity Code 69 will only be available for use in Program 97.

69 Depreciation Sub-Fund for Facility Maintenance

This Activity Code is only appliable for use in school districts of the second class as defined by RCW 28A.300.065 and may only be utilized upon a formal resolution of the board to commit resources in General Ledger Account Code 873—Committed to Depreciation Sub-Fund for Facility Maintenance and for the specific purposes as outlined below.

Include expenditures for the purpose of preventative maintenance or emergency facility needs. The preventative maintenance must be necessary to realize the originally anticipated useful life of a building or facility and includes: Exterior painting of facilities; replacement or renovation of roofing, exterior walls, windows, heating, air conditioning and ventilation systems, floor coverings in classrooms and common areas, and electrical and plumbing systems; and renovation of playfields, athletic facilities, and other district real property.

Second class school districts, subject to applicable public works bid limits, may use school district employees to perform preventative maintenance with moneys from the depreciation sub-fund, but moneys from the depreciation sub-fund may not be used for employee compensation unrelated to these specific purposes.

In Chapter 7, Page 7-30:
Minor edits are made to account titles in the Journal Entry illustration for GL 898 *Prior Year Error Corrections*. A sample Journal Entry illustration is depicted here.

General Ledger Account	Account Title	Applicable Fund	Debit	Credit
240	Cash on Deposit with County Treasurer	ALL	$X,XXX	
898	Prior Year Error Corrections ~~or Restatements~~	ALL		$X,XXX
To record the refund of expenditures paid in a prior fiscal year.				

In Chapter 8, Page 8-6:
The guidance under the chapter section titled *Financial Reporting of Error Corrections* is modified to agree with the new GASB Statement 100 guidelines.

Financial Reporting of Error Corrections

Informational supplements (filings) to Report F-196 are generally only used for making adjustments to reimbursements that result from the correction of errors. They are not a replacement for the accounting and financial reporting of errors that are required in accordance with GAAP.

Since the informational supplement filing does not correct the actual Report F-196 filing, but only supplements it, the district must address the error correction in its current-year financial statements. These error corrections must be done in accordance with Governmental Accounting Standards Board (GASB) Statement 100. Error corrections will need to be reported in GL898 to reflect the aggregate effect on beginning fund balance of the current school year. These accounting and reporting steps should be included in Report F-196 for the current year, and **not** for the year in which the error occurred for previously audited financial statements.

In Chapter 9, beginning on page 9-2:
The guidance describing the classification of federal costs, the methodology prescribed for indirect rates, and the topical administrative requirements are consolidated. The complete guidance of the consolidated sections are provided here.

Basic Federal Fiscal Requirements

Allowable Costs

Expenditures under federal programs are governed by the Federal cost principles contained in the Code of Federal Regulations (CFR) 2 CFR Part 200 Subpart E—Cost Principles. Districts must ensure that costs claimed under Federal awards follow these cost principles as well as any special terms and conditions contained in the award. Additionally, grantees are required to follow the more restrictive of the federal, state, and district policies.

When applying these cost principles, districts must:

- Maintain responsibility for the efficient and effective administration of the Federal award through the application of sound management practices.
- Assume responsibility for administering federal funds in a manner consistent with underlying agreements, program objectives and the terms and conditions of the federal award.
- Apply accounting practices that are consistent with the cost principles, support the accumulation of costs as required by the principles, and provide for adequate documentation to support costs charged to the federal award.

Districts must maintain a system of internal controls over federal expenditures to provide reasonable assurance that Federal awards are expended only for allowable activities and that the costs of goods and services charged to Federal awards are allowable and in accordance with the above referenced cost principles.

Those controls must meet the following general criteria:

- Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the district.
- Be accorded consistent treatment.
- Be determined in accordance with generally accepted accounting principles.
- Not be included as a cost or used to meet cost sharing or matching requirements of any other federally financed program in either the current or a prior period.
- Be adequately documented.

Classifications of Direct and Indirect Costs

Since there is no universal rule for classifying costs as either direct or indirect, districts must be consistent in treating each item of cost incurred for the same purpose as either a direct or indirect cost to avoid possible double charging. (Ref: CFR §200.412)

Direct costs are those costs that can be specifically identified with particular cost objectives such as a grant, contract, project, function or activity with relative ease and with a high degree of accuracy. Typical direct costs are salaries of employees working specifically on objectives of a grant or contract (including vacations, holidays, sick leave, and other excused absences); employee fringe benefits allocable on direct labor employees; consultant services contracted to accomplish specific grant or contract objectives; and materials, supplies and equipment purchased directly for use on a specific grant or contract.

Indirect costs are those not readily identifiable with the activities of the grant but incurred for the joint benefit of those activities and other activities of the organization. In general, indirect costs are selected administrative and service expenditures in Program 97 Districtwide Support. Typical examples of indirect costs may include procurement, payroll, personnel functions, maintenance and operations of space, data processing, accounting, auditing, budgeting, printing, warehousing and distribution, communications (telephone, postage), and selected expenditures that can be documented as allowable costs to be included into the indirect expenditure cost pool.

In accordance with §200.414, indirect costs are: (a) Incurred for a common or joint purpose benefiting more than one objective; and (b) Not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved.

The uniform guidance specifically references what costs may be included within the direct base for fair sharing of the rate within §200.413. Any item not on this listing are unallowable costs and explicitly excluded from the indirect cost pool. Examples of unallowable costs include: bad debts, contingencies, entertainment, fines/penalties, and general governance.

According to §200.444, certain General Management Costs are unallowable costs and must not be included in the indirect cost pool. These costs are to be included in the base calculation. Washington state school district organizational structures vary greatly; and it is the school district's discretion to determine what constitutes its general management costs. Within the CFR guidance, the expenditures that cannot be included in the Indirect Cost Pool for a school district include:

1. The governing body (members of the board of education).
2. Compensation of the chief executive officer (Superintendent of the school district).
3. Compensation of the Heads of Component Offices (Top Executive-Level positions of the school district).
4. The operation of the immediate offices of these officers (Executive Assistants and associated costs).

Salaries, benefits (including termination leave payouts), communications/telephone charges, and other expenditures related directly to the operation of the superintendent's office, the Heads of Component Units of the school district, and board of education offices, specifically, are not included in indirect costs and are considered, for rate purposes, to be unallowable costs in the calculation of the Restricted Indirect Cost Rate.

A cost may not be allocated to a federal program as an indirect cost if any other costs incurred for the same purpose, in like circumstances, has been assigned to a federal program as a direct cost.

OMB Uniform Grants Guidance requires distorting items to be excluded from the distribution expenditure base in the indirect cost computations. Examples of extraordinary or distorting costs include capital outlay, debt service, judgements, and certain transfers. Subaward payments (an award provided by a pass-through entity to a subrecipient to carry out part of a federal award, not including payments to contractors for goods and services) in excess of the first $25,000 are distorting items and also excluded from the indirect cost rate calculation.

Indirect Cost Rates

The application of indirect costs to grants (or other programs) is done through the creation of indirect cost rates. These rates are expressed as a percentage of the costs that have been directly charged to programs. School districts create three different indirect rates: the state indirect rate (also called the "state recovery rate"), federal restricted rate, and federal unrestricted rate. Rates are calculated annually by School Apportionment and Financial Services based on information in the districts' F-196 annual financial statements. The information is lagged by two years: the rates calculated in school year 2022–23 are used in the 2024–25 school year. The indirect rates are posted on the OSPI website and utilized by the state and federal programs in the construction of awards to districts.

The indirect rate percentages are the *maximum* rates that may be charged to a program or grant for indirect costs. A district may choose to claim a lower amount for indirects on a grant—by charging more direct costs—but it may not use a higher percentage than the one that has been calculated.

A few programs may have their own limitations on indirect rates. Districts should work with their program staff to ensure they are using the proper information for that program.

Federal Indirect Cost Rates

Indirect expenditure rates allowed on federal grants awarded to school districts are established by the Office of Superintendent of Public Instruction (OSPI) following an agreement with the U.S. Department of Education (ED). This agreement prescribes the method of rate computation, and the resulting rates establish the maximum amount of indirect expenditures that may be claimed for a federal grant.

Restricted Versus Unrestricted Indirect Expenditure Rates

Both restricted and unrestricted indirect rates are calculated annually and are unique to each district. Questions regarding restricted and unrestricted rates should be made to School Apportionment and Financial Services.

Restricted rates are used with grants where “supplement but not supplant” language is in the authorizing legislation. Almost all federal programs fall into this category. Restricted rates must be used for all federal programs except those for which the restricted rate is not required.

Unrestricted indirect cost rates are used for the few federal grants that allow its use. Generally, these are grants without supplement not supplant limitations. The calculation for the unrestricted rate is similar to the restricted rate except expenditures for maintenance and grounds are included, resulting in a higher rate. Direct expenditures for determining both federal restricted and unrestricted rates consist of all other General Fund expenditures except those distorting items for capital outlay and debt service interest which are excluded from the calculation.

How the Federal Indirect Expenditure Rates Are Computed

In general, the computation for an indirect expenditure rate is: Indirect Expenditure Pool divided by the Direct Expenditure Base. Uniform Guidance outlines many factors regarding the classification of costs. Some of these factors are described above in this chapter.

Federal indirect expenditure rates for the current year are based upon financial information in each school district’s annual financial statement, SPI Form F-196, for the 2 years prior to the current year. Therefore, the rates depend upon base-year data that are two years old.

An indirect expenditure rate determines the percentage of each award that may be used for common, district-wide expenditures benefiting all school district programs. These expenditures are specifically allowed by the U.S. Department of Education to be allocated to all other school district programs.

Certification and Documentation of the Federal Indirect Cost Rate Proposal

All school districts must prepare an indirect cost rate proposal (proposal) within six months after the close of the fiscal year end or by a date approved by OSPI. The proposal will include documentation to support the indirect cost rates and must be retained for audit in accordance with the records retention requirements contained in §200.333. Every school district’s proposal must be accompanied by a certificate signed on behalf of the school district by an individual at a level no lower than assistant superintendent or chief financial officer of the school district that submits the proposal.

Required Elements of the School District's Federal Indirect Rate Cost Proposal

A school district's proposal must include the following required elements:

- The annual submission of the school district's financial data reported on OSPI's Annual Financial Report, F-196
- The rates proposed, including other relevant data embedded in the F-196
- An Organizational Chart showing the structure of the school district along with a functional statement noting the duties or responsibilities of all units that comprise the school district.
- A Certificate of Indirect Costs

Federal Indirect Rate Cost Proposal

The following format is provided as an example for a school district's Federal Indirect Rate Cost Proposal. A school district may customize the format.

The ____________________School District is presenting the following documentation in support of our Federal Indirect Rate Cost Proposal for the fiscal year 20XX–XY

Proposed Federal Restricted Rate	XX.XX%
Proposed Federal Unrestricted Rate	XX.XX%

Relevant data and the methodology which supports the proposed rates are included as supplementary schedules embedded in the school district's Annual Financial Report, F-196, submitted to OSPI per WAC 392-117-035.

An Organizational Chart showing the structure of the school district along with a functional statement noting the duties or responsibilities of all units that comprise the school district is attached.

Required certification of the Federal Indirect Cost Rate Proposal is attached.

Certificate of Indirect Costs

The following Certificate of Indirect Costs format is provided as an example for school districts. A school district may customize the format. The documentation should be retained by the district and available for program review and audit purposes.

This is to certify that I have reviewed the indirect cost rate proposal submitted herewith and to the best of my knowledge and belief:

(1) All costs included in this proposal, dated [identify date], to establish final indirect cost rates for fiscal year [identify period covered by rate] are allowable in accordance with the requirements of the Federal award(s) to which they apply and the provisions of this Part.

Unallowable costs have been adjusted for in allocating costs as indicated in the indirect cost proposal.

(2) All costs included in this proposal are properly allocable to Federal awards on the basis of a beneficial or causal relationship between the expenses incurred and the agreements to which they are allocated in accordance with applicable requirements. Further, the same costs that have been treated as indirect costs have not been claimed as direct costs. Similar types of costs have been accounted for consistently and the Federal Government will be notified of any accounting changes that would affect the predetermined rate.

I declare that the foregoing is true and correct.

School District:
Signature:
Name of Official:
Title:
Date of Execution:

In Chapter 10, Page 10-17:
A new section is added to Accounting Manual guidance for a new subsection added to Chapter 28A.320 RCW. Expenditures necessary to move equipment and furniture under certain circumstances are an allowable use of certain Capital Project Fund resources.

Moving of Equipment and Furniture

During the 2023-2025 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 (RCW 28A.320.330(2)(i)).

In Appendix A – Program Expenditure Matrices, all pages,
Activity 35 Pupil Safety is added to the Chart of Accounts and added to all Program Expenditure Matrices where Activity 25 Pupil Management is available.

All personnel duty code assignments open and available to Activity 25 are open and available the Activity 35. All NCES Objects of Expenditures open to Activity 25 are open and available to Activity 35.

ADDING ACTIVITY 35 TO ALL PROGRAMS WHERE ACTIVITY 25 IS AVAILABLE

OBJECTS OF EXPENDITURE

		Debit Transfer	Credit Transfer	Cert. Salaries	Class. Salaries	Employee Benefits	Supplies, Inst Mat'ls Noncap	Purchased Services	Travel	Capital Outlay
ACTIVITY	Total	(0)	(1)	(2)	(3)	(4)	(5)	(7)	(8)	(9)
25 Pupil Management										
35 Pupil Safety	**NEW**									

In Appendix A – Program Expenditure Matrices, on page A-3,
Program 09—Transition to Kindergarten, is added to the chart of accounts.

PROGRAM 09—TRANSITION TO KINDERGARTEN

OBJECTS OF EXPENDITURE

		DR Tran	CR Trans	Cert. Salr	Class Salr	Employe Benefits	Supplies, Inst Mat'ls Noncp	Purchased Services	Travel	Capital Outlay
ACTIVITY	Total	(0)	(1)	(2)	(3)	(4)	(5)	(7)	(8)	(9)
21 Supervision										
22 Learning Resources										
23 Principal's Office										
24 Guidance and Counseling										
25 Pupil Management										
26 Health and Related Services										
27 Teaching										
28 Extracurricular										
29 Payments to School Districts										
31 Instructional Professional Development										
32 Instructional Technology										
33 Curriculum										
34 Professional Learning—State										
35 Pupil Safety										
62 Grounds Maintenance										
63 Operation of Building										
64 Maintenance										
65 Utilities										
67 Building and Property Security										
TOTALS										

In Appendix A – Program Expenditure Matrices, on page A-19,
In Program 58, Activity 28–Extracurricular is added to the list of allowable activities in the Program.

PROGRAM 58—SPECIAL AND PILOT PROGRAMS—STATE

OBJECTS OF EXPENDITURE

ACTIVITY	Total	Debit Transfer (0)	Credit Transfer (1)	Cert. Salaries (2)	Class. Salaries (3)	Employee Benefits (4)	Supplies, Inst Mat'ls Noncap (5)	Purchased Services (7)	Travel (8)	Capital Outlay (9)
21 Supervision										
22 Learning Resources										
23 Principal's Office										
24 Guidance and Counseling										
25 Pupil Management										
26 Health and Related Services										
27 Teaching										
28 Extracurricular	NEW									
29 Payments to School Districts										
31 Instructional Professional Development										
32 Instructional Technology										
33 Curriculum										
35 Pupil Safety										
TOTALS										

In Appendix A – Program Expenditure Matrices, on page A-26,
In Program 79, Activity 66–E-Rate—Federal, is added to the list of allowable activities in the Program.

PROGRAM 79—INSTRUCTIONAL PROGRAMS—OTHER

OBJECTS OF EXPENDITURE

		Debit Transfer	Credit Transfer	Cert. Salaries	Class. Salaries	Employee Benefits	Supplies, Inst Mat'ls Noncap	Purchased Services	Travel	Capital Outlay
ACTIVITY	Total	(0)	(1)	(2)	(3)	(4)	(5)	(7)	(8)	(9)
21 Supervision										
22 Learning Resources										
23 Principal's Office										
24 Guidance and Counseling										
25 Pupil Management										
26 Health and Related Services										
27 Teaching										
28 Extracurricular										
29 Payments to School Districts										
31 Instructional Professional Development										
32 Instructional Technology										
33 Curriculum										
35 Pupil Safety										
62 Grounds Maintenance										
63 Operation of Buildings										
64 Maintenance										
65 Utilities										
66 E-Rate—Federal	**NEW**									
68 Insurance										
91 Public Activities										
TOTALS										

In Appendix A – Program Expenditure Matrices, on page A-28,
In Program 88, The title of Program 88 was changed from “Child Care” to “Early Learning. Also, Activity 24–Guidance and Counseling, is added to the list of allowable activities for the Early Learning Program.

PROGRAM 88—EARLY LEARNING

OBJECTS OF EXPENDITURE

		Debit Transfer	Credit Transfer	Cert. Salaries	Class. Salaries	Employee Benefits	Supplies, Inst Mat'ls Noncap	Purchased Services	Travel	Capital Outlay
ACTIVITY	Total	(0)	(1)	(2)	(3)	(4)	(5)	(7)	(8)	(9)
21 Supervision										
24 Guidance and Counseling	**NEW**									
25 Pupil Management and Safety										
26 Health and Related Services										
27 Teaching										
29 Payments to School Districts										
31 Instructional Professional Development										
32 Instructional Technology										
33 Curriculum										
42 Food										
44 Operations										
63 Operation of Buildings										
65 Utilities										
68 Insurance										
91 Public Activities										
TOTALS										

In Appendix A – Program Expenditure Matrices, on page A-29,
In Program 97, Activity 69–Depreciation Sub-Fund Facility Maintenance, is added to the list of allowable activities for Districtwide Support.

PROGRAM 97—DISTRICTWIDE SUPPORT

OBJECTS OF EXPENDITURE

			Debit Transfer	Credit Transfer	Cert. Salaries	Class. Salaries	Employee Benefits	Supplies, Inst Mat'ls Noncap	Purchased Services	Travel	Capital Outlay
ACTIVITY		Total	(0)	(1)	(2)	(3)	(4)	(5)	(7)	(8)	(9)
11	Board of Directors										
12	Superintendent's Office										
13	Business Office										
14	Human Resources										
15	Public Relations										
25	Pupil Management and Safety										
61	Supervision										
62	Grounds Maintenance										
63	Operation of Buildings										
64	Maintenance										
65	Utilities										
67	Building and Property Security										
68	Insurance										
69	Depreciation Sub-Fund Facility Maintenance	**NEW**									
72	Information Systems										
73	Printing										
74	Warehousing and Distribution										
75	Motor Pool										
83	Interest										
84	Principal										
85	Debt-Related Expenditures										
	TOTALS										

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