



## STATE OF WASHINGTON

April 24, 2018

Dear Superintendents and Business Officers,

We have received a number of inquiries about the effective dates of the accounting and audit requirements contained in E2SSB 6362 and the underlying statute. This letter is intended to provide clarity around the effective dates and share information about our plans to move forward during the 2018–19 transition year.

By way of background, in March 2018, the Legislature passed E2SSB 6362, which accelerated the implementation timeline for a new salary structure adopted in response to the *McCleary* litigation. Along with the increase in state funding, the legislature adopted new requirements related to the tracking of local revenue expenditures.

Upon signing E2SSB 6362, Governor Inslee vetoed section 408, which directed the Office of Superintendent of Public Instruction (OSPI) to adopt rules requiring the separate accounting of state and local revenues to expenditures by the 2018–19 school year. The effect of this veto is that current law remains unchanged; OSPI is required to adopt rules by the 2019–20 school year.

However, there are other sections in the bill that accelerated the restrictions on the use of levy funds at the district level and the requirement to track expenditures of local revenue, including sections 301, 302, 306, and 406.

Here is what to expect:

### For 2018-19

- School districts are required to deposit local revenues into a sub-fund of the general fund. The State Auditor's Office (SAO) review of school district financial statements related to this requirement will be aimed at ensuring schools have established a local revenue sub-fund.
- In spring of 2018, OSPI will provide districts with a new chart of accounts that can be used to accommodate the recording of local revenues using the new local sub-fund.
- SAO will audit for compliance with the requirement to code local levy expenditures to the local revenue sub-fund and the requirement to expend the allocation provided for professional learning as directed by RCW 28A.150.415 (Section 406 (3)).
- Audits related to the accounting of local levies coded to a sub-fund will be conducted as part of the regular financial audits of school districts of the 2019–20 school year.

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For 2019–2020

OSPI must adopt rules requiring separate accounting of state and local revenues to expenditures. The rule-making process will begin in early 2019 in order to have the rules become final in time for the 2019–20 school year.

- SAO will conduct financial audits for compliance with all statutory requirements contained in E2SSB 6362, including expenditures of school district local revenues and the allocation for professional learning (referenced above). Audits for these provisions will take place during the 2020–21 school year.

We will continue to focus our efforts on education and training to help districts navigate the new reporting and auditing requirements.

If you have any further questions, please do not hesitate to contact us.

Sincerely,



Chris Reykdal  
Superintendent of  
Public Instruction



Pat McCarthy  
Washington State Auditor