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Washington Office of Superintendent of
PUBLIC INSTRUCTION
Chris Reykdal, Superintendent

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BULLETIN NO. 056-21 SCHOOL APPORTIONMENT AND FINANCIAL SERVICES

TO: Educational Service District Superintendents
School District Superintendents
School District Business Managers

FROM: Chris Reykdal, Superintendent of Public Instruction

RE: Revisions to the School District Accounting Manual for the 2021–22 School Year

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PURPOSE/BACKGROUND

The *Accounting Manual for Public School Districts in the State of Washington (Accounting Manual)* has been revised for the 2021–22 school year. The effective date of the revised *Accounting Manual* is September 2021, and the changes are applicable to the school district fiscal year beginning September 1, 2021.

The *Accounting Manual* is distributed electronically; printed copies are not mailed to school districts. 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 from School Apportionment and Financial Services (SAFS) for a fee by calling at 360-725-6300 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 is located on the OSPI website at School District Accounting Advisory Committee.

The *Accounting Manual* revisions in this bulletin are segregated into sections:

- Accounting and Reporting for Leases
- Accounting and Reporting for ARP—IDEA
- Accounting and Reporting for Fiduciary Funds

REVISIONS TO THE SCHOOL DISTRICT ACCOUNTING MANUAL FOR THE 2021–22 SCHOOL YEAR

Accounting and Reporting for Leases

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, a new accounting and reporting standard regarding leases. Under the prior approach, governments applied a somewhat subjective test to determine if a lease should be classified as "operating" or "capital." Under the new approach, GASB assumes all leases (with a few stated exceptions) are just leases, eliminating "operating" leases. The primary goal of the new standard is to increase comparability across governments and provide financial statement users with better, more complete information by establishing a single model for lease accounting. The new standard will take effect for reporting periods beginning after December 15, 2020; and apply retroactively as if the standard was in place at the beginning of the implementation period.

It is highly recommended that school districts prepare for new lease accounting.

- Identify the population of current leases to which the standards will apply.
- Create an inventory of existing leases and other contracts and agreements for review.
- Document key provisions of each lease agreement such as the lease term, extensions, termination provisions, payment provisions, and an implied interest rate.

Implementation of the standard can be time consuming because school districts may have a significant number of leases administered across the organization, making it a challenge to identify and determine which agreements are subject to the new accounting and financial reporting requirements. Effective communication between departments will be necessary to ensure all leases are identified.

Determine which agreements meet the definition of a lease and which can be excluded. Just because the word "lease" isn't in the agreement, doesn't mean it doesn't meet the definition of a lease under GASB 87. And not all "leases" meet the definition of the new standard. It's the substance of the agreement that you must analyze and document. School district fiscal officers are encouraged to become familiar with the new GASB 87 pronouncement.

Throughout the Accounting Manual, references and conditions that distinguish leases as “capital” or “operating” are removed.

CHAPTER 3—ACCOUNTING GUIDELINES

Beginning on page 3-45 a new section is added to provide guidance for accounting for leases. Prior guidance on Leases is removed.

Leases or Leases with Option to Purchase

RCW 28A.335.170 permits the district to enter into contracts with board approval to provide pupil transportation services; rent or lease building space and portable buildings; and rent or have maintained security systems, computers, and other equipment.

The budgets for General, Capital Projects, and Transportation Vehicle Funds of each school district shall contain a schedule which identifies that portion of each non-cancellable contractual liability incurred per RCW 28A.335.170 which extends beyond the fiscal period being budgeted. Said schedule shall list for each such contractual liability a brief description, the accounting code, the beginning and ending dates, the total dollar amount, and the estimated dollar amount extending beyond the end of the fiscal period being budgeted.

See RCW 28A.335.200 for conditional sales contracts for the acquisition of property or property rights as this pertains to limitations of indebtedness.

See RCW 28A.335.040 through RCW 28A.335.090 for the authorization to lease or permit the occasional use of surplus school property.

See sample journal entries to account for leases in Chapter 7.

Accounting for Leases

There are three types of leases: short-term leases, contracts that transfer ownership, and contracts that do not transfer ownership—a catchall for all remaining leases of nonfinancial assets.

Key Definitions:

- *Lease:* A “lease” is defined as a contract that conveys control of the right to use another entity’s nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction.

Note: Just because the word "lease" is not in the agreement, does not mean it does not meet the definition of a lease. Not all "leases" meet the definition of lease under GASB Statement No. 87. The substance of the agreement determines its classification.

- *Right to use:* The right to obtain the present service capacity from use of the underlying asset and the right to determine the nature and manner of its use.
- *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 (if reasonably certain the option will be exercised) and periods covered by the lessee's or lessor's option to terminate the lease (if reasonably certain the option will not be exercised). Note that periods for which both the lessee and the lessor have an option to terminate the lease without permission from the other party or if both parties have to agree to extend, are excluded from the lease term. Fiscal funding/cancelation clauses are ignored unless reasonably certain of being exercised.
- *Exclusions*: These activities would be excluded from the scope of lease accounting:
    - Intangible assets—Such as patents and software. Certain sub-lease exceptions apply.
    - Biological assets—Such as timber
    - Leases of inventory
    - Service concession arrangements
    - Assets financed with outstanding conduit debt—Unless both the asset and conduit debt are reported by the lessor
    - Supply contracts
    - Subscription-Based Information Technology Arrangements (SBITAs)

Short-Term Leases

The identification of a short-term lease hinges entirely on the length of the maximum possible noncancelable lease term. If the lease agreement specifies a noncancelable term, after considering the effects of potential extensions (regardless of their likelihood of being exercised), of 12 months or less, the lease is deemed a short-term lease.

Lease accounting for short-term leases is functionally identical to past practices under old rules. Lessor and lessees are only required to post to account for the outflow or inflow of resources during each period.

- For cash-basis and modified accrual fund financial statements (F-196), the lease payments are recorded as revenues or expenditures based on the payment provisions of the contract.
- Short-term leases require no additional note disclosures.

Contracts that Transfer Ownership

Lease contracts that transfer ownership are treated explicitly as sales of the asset by the lessor and a purchase of the asset on credit by the lessee. These arrangements can transfer ownership in two ways, both requiring the contract to have no termination options. First, the contract can directly specify ownership is transferred at the end of the life of the lease. Alternatively, the contract can implicitly allow the borrower to continue to hold the property to the end of its life by setting up a fiscal funding or cancellation clause (which only activates if the governmental entity does not provide a provision for the payment of the lease obligation) that is reasonably certain not to be exercised.

All Other Leases: Contracts that do not Transfer Ownership

All leases that do not fall into either of the two categories listed above are treated with a single-model approach and similar to contracts that transfer ownership. See sample journal entries to account for leases in Chapter 7.

Accounting for Leases-Lessee

For school districts using cash-basis accounting (F-196): Lessees will be required to recognize:

- A Capital Outlay expenditure
- An other financing source
- On the Schedule of Long-Term Liabilities, add a lease liability for the total amount (not the present value) of the future lease payments.
- Subsequent lease/rental expenditure payments reduce the lease liability
- Special lease transactions, such as subleases and sale-leaseback transactions, will require separate disclosures.
- Lessee note disclosure requirements include: A general description of its leasing arrangements, such as the assets leased, terms of the leases, the amount of the monthly (quarterly/annual) payments, cancellation clauses, etc. If you have issued debt for which the payments are secured by the lease payments, that fact should be disclosed.
- The note disclosure should also include the total amount of lease revenue and any other lease-related inflows recognized in the reporting period.

For school districts using modified-accrual accounting (F-196): Lessees will be required to recognize:

- A Capital Outlay expenditure
- An other financing source
- On the Schedule of Long-Term Liabilities, add a lease liability for the present value of the future lease payments.

- Subsequent lease/rental expenditure payments are segregated between principle repayments and interest expenditures
- Lessee note disclosure requirements include: a description of leasing arrangements; such as the assets leased, terms of the leases, the amount of the monthly (quarterly/annual) payments, cancellation clauses, etc. If you have issued debt for which the payments are secured by the lease payments, that fact should be disclosed.
- The delineation of principal and interest payments required over each of the next five years and beyond, grouped in five-year increments
- Special lease transactions, such as subleases and sale-leaseback transactions, will require separate disclosures.

Calculation of the Lease Liability—Schedule of Liabilities
The lessee should initially measure the lease liability at the present value of payments expected to be made during the lease term. The lease liability should include the following:

- Fixed payments, less any lease incentives receivable from the lessor
- Variable payments based on an index or rate, using the rate as of the beginning of lease
- Variable payments that are fixed in substance
- Residual value guarantees reasonably certain of being required
- Purchase options reasonably certain of being exercised
- Termination penalties, if lease term reflects lessee exercising termination options/fiscal funding clauses
- Any other reasonably certain payments

The lease liability does not include lease payments that are dependent on a lessee's performance or usage of an underlying asset.

The Discount Rate
The discount rate (interest rate) is used to calculate the present value of the contractual obligation. It is the interest rate the lessor charges the lessee. This rate is often not stated in lease agreements. It may be the rate implicit in the lease. If the lease's implicit rate is not readily determinable, the lessee's estimated incremental borrowing rate should be used. This is the rate the lessee would be charged for borrowing the lease payment amounts during the lease term. Documentation of methods and sources used to determine the discount rate for each lease agreement should be retained.

Lease Incentives

Lease incentives are payments made to, or on behalf of the lessee, for which the lessee has a right of offset with its obligation, or other concessions granted to the lessee. Incentives provided after the commencement of the lease term should be accounted for as reductions of lease payments for the periods in which they are provided. If fixed or fixed in substance, the incentive payments should be included in the initial measurement and any re-measurement of the lease receivable and lease liability. Variable or contingent lease incentive payments are not included in the initial measurement.

Modifications

If the lessee's right to use the leased asset decreases, the amendment should be considered a partial or full lease termination (see terminations). A modification to a previously reported lease should be reported as a separate lease if:

- New assets are added and the related increase in payments is consistent with the market price for similar agreements
- If the modification does not meet the criteria to be reported as a separate lease

Lessee:

- Remeasure the lease liability on the effective date of the modification.
- Update the discount rate if any of the following occurs:
  - There is a change in the lease term
  - A change in the likelihood of the lessee exercising a purchase option from reasonably certain to not reasonably certain, or vice versa.

Lessor:

- Re-measure the lease receivable on the effective date of the modification.
- Update the discount rate if any of the following occurs:
  - There is a change in the lease term
  - A change in the likelihood of the lessee exercising a purchase option from reasonably certain to not reasonably certain, or vice versa.

Adjust the deferred Inflow of resources by the difference between the new re-measured receivable and the receivable immediately before the modification. However, to the extent the change relates to payments for the current period, the change should be recognized as a revenue or expense for the current period.

If a change results from a debt refunding by the lessor in which the perceived economic advantages of the refunding are passed through to the lessee, the change should be accounted for as:

- The lessor should adjust the lease receivable to the present value of future lease payments based on the interest rate applicable to the revised lease contract. An adjustment to the deferred inflow of resources should be recognized as either a revenue or expenditure over the remaining life of the old debt or new debt, whichever is shorter.
- If the change results from an advance refunding the lessor must recognize as a revenue or expenditure, any reimbursements to be received from the lessee for costs related to the refunded debt (unamortized discount or premium) over the remaining life of the old debt or new debt, whichever is shorter.

Terminations
The lessor should reduce/remove the lease receivable and related deferred inflow. A gain or loss would be recognized for any difference.

Contracts with Multiple Components
If a district enters into a contract that contains both a lease (such as the right to use a building) and non-lease component (maintenance services for the building), the district should account for the components separately.

If a lease involves multiple underlying assets and the assets have different lease terms, each underlying asset should be accounted for as a separate lease contract. The contract price would then be allocated to the different contracts based on prices for the individual assets.

If the contract does not include individual components or prices are not reasonable, allocate components based on available observable information (market prices). If not practicable, the components may be accounted for as a single lease.

Contract Combinations
Contracts entered into at or near the same time with the same party should be considered part of the same lease contract if either of the following is met:

- Contracts are negotiated as a package with a single objective
- The amount of consideration paid in one contract depends on the price or performance of the other contract.

If multiple contracts are determined to be part of the same contract, that contract is then subject to the guidance for *Contracts with Multiple Components*.

Subleases
The initial lease and sublease should be treated as separate transactions and should not be offset against one another. The original lessee would account for the original lease and sublease separately as the lessee and lessor respectively.

Sale-Leasebacks
A sale-leaseback is defined as the sale of the underlying asset by the owner and a lease of the underlying asset back to the seller. The transaction must qualify as a sale, otherwise the transaction is considered a borrowing activity. The sale and lease transaction are accounted for separately.

Lease-Leasebacks
A lease-leaseback occurs when an asset is leased by one party (first party) to another party, then leased back to the first party. The transaction should be accounted for as a net transaction.

Prepaying a Lease
If a lease is prepaid, there is no "financing" and so the amount received by the lessor is already considered the present value. The lessor amortizes the lease receivable and deferred inflow at the total amount of the monthly payments.

Leases Between Related Parties
When leases are made between related parties, the substance of the transaction determines the reporting. For example, the agreement between the district and the related party meets the criteria to be reported as a short-term lease. However, there is an understanding between the district and the related party the lease will be extended over several years. In this example, the lease would not be appropriately reported as a short-term lease.

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.

Accounting for Leases-Lessor
For F-196 Cash Basis, lease payments are recorded as revenue and cash when received.

For F-196 Modified Accrual, a lessor should recognize a lease receivable and a deferred inflow of resources at the start of the lease term.

- (DR) Lease Receivable—Initially measured at the present value of lease payments expected to be received during the lease term.
- (DR) Cash (possible entry)—For any lease payments received prior to the start of the lease.
- (CR) Deferred Inflow—Measured as the sum of the initial measurement of the lease receivable plus any lease payments received prior to the start of the lease, less any lease incentives.

Lease payments received from the lessee result in:

- (DR) Cash
- (CR) Reduction of the lease receivable
- (CR) Recognition of interest income (a non-operating revenue). Use Revenue Code 2450 Other Interest Earnings.
- (DR) Reduction of the Deferred Inflow in a systematic and rational manner
- (CR) Recognition of lease revenue. Use Revenue Code 2700 Rentals and Leases.

See sample journal entries to account for leases in Chapter 7.

CHAPTER 4—GENERAL LEDGER ACCOUNTS

On page 4-15 a new general ledger account is added for accounting for leases.

345 Leases Receivable*

Applicable Fund: (GF, CPF, TVF, PF, PPTF)

This account is used to record leases owed to the school district by private persons, firms, or others. Entries may be made to this account as transactions occur or they may be recorded at year-end.

- <u>Debit</u> with the present value of lease payments expected to be received over the lease term, at the initial recording of the lease. (Contra entry: credit Account 755 Unavailable Revenue—Leases Receivable.)
- <u>Credit</u> with the principal portion of amounts received under the lease. (Contra entry: debit Account 755 Unavailable Revenue—Leases Receivable.)

On page 4-28 a new general ledger account is added for accounting for leases.

620*▲ Leases Payable—Current

Applicable Fund: (GF, CPF, TVF, PF, PPTF)

This account is used to record the matured liabilities for equipment and furniture received or services performed under lease agreements. This account is used to record the matured portion of long-term lease liabilities.

- Credit with the matured portion of the lease when that portion matures. (Contra entry: debit Account 530 Expenditures.)
- Debit with amounts paid.
- The balance of this account represents the amount of matured long-term leases.

On page 4-33, the title of General Ledger account code 713 is modified to Leases—Long-Term. Additional guidance is added for accounting for leases.

713* ▶ Leases—Long-Term

Applicable Fund: (SLTL)

This account is for outstanding principal on leases reported on the Schedule of Long-Term Liabilities. Subsidiary accounts should be maintained for each lease. Refer to Chapter 3 for accounting for leases.

- Credit with the amount of the principal on the lease when the lease agreement is executed. (Contra entry: debit account 480 Amount to be Provided for Debt Retirement.)
- Debit with the amount of lease payments. (Contra entry: credit Account 480 Amount to be Provided for Debt Retirement.)

On page 4-34, General Ledger account code 715 is deleted from the Chart of Accounts. School districts that used this G/L code should determine the substance of amounts classified in this account and transfer balances to G/L 713.

~~***715* ▶ Non-cancelable Operating Leases—Long Term***~~

~~Applicable Fund: (SLTL)~~

On page 4-38 a new general ledger account is added for accounting for leases.

755* Unavailable Revenue—Leases

Applicable Fund: (GF, CPF, TVF, PF, PPTF)

Record in this account amounts equals the present value of the minimum lease payments as recorded in Account 345 Leases Receivable. Also record in this account any lease payments received prior to the start of the lease, less any lease incentives.

This account will be used to amortize and recognize lease revenue. Subsequent accounting entries in this account for revenue recognition are based on an amortization of this Deferred Inflow. Revenue recognition is based on an amortization schedule; calculated in a rational and systematic manner over the life of the lease; and as funds become available. Entries may be made to this account as transactions occur or they may be recorded at year-end. See Chapter 7 and the journal entries for lessor accounting. Refer to Chapter 3 for accounting for leases.

- <u>Credit</u> with amounts charged to Accounts 230, 240, and 345 that do not represent revenues because they are not available in the current fiscal year.
- <u>Debit</u> with the amount amortized and recognized as revenue. (Contra entry: credit Account 960 Revenues.)

CHAPTER 7—GENERAL JOURNAL ENTRIES

On page 7-46, the journal entries for leases are modified to the new accounting standards.

JOURNAL ENTRIES FOR LEASES

Lease Accounting for Cash Basis (F-196)

For cash basis accounting, the accounting transactions are very similar to prior practice. In this illustrated example of accounting for a lease agreement, assume a cash-basis school district signs a lease to pay $1,000 on September 30, 2020, the scheduled date of delivery of certain equipment. The lease payments are $1,000 per month for sixty months for a total of $60,000. The district will report the total amount of the contractual liability as a capital outlay and an other financing source.

Lessee: Cash-Basis Accounting Entries

The General Fund acquisition of equipment with a lease:

General Ledger Account	Subsidiary Ledger Required	Account Title	Debit	Credit
530	NCES 973X	Expenditures—Capital Outlay	60,000	
965	Yes	Other Financing Sources—Leases		60,000
To record the acquisition of equipment with a lease at the start of the lease term.				

The initial payment on the lease:

General Ledger Account	Subsidiary Ledger Required	Account Title	Debit	Credit
530	NCES 744X	Expenditures—Rental/Lease of XXX	1,000	
241		Warrants Outstanding		1,000
To record the first lease payment.				

The remaining eleven monthly lease payments in year one:

General Ledger Account	Subsidiary Ledger Required	Account Title	Debit	Credit
530	NCES 744X	Expenditures—Rental/Lease of XXX	11,000	
241		Warrants Outstanding		11,000
To record the monthly lease payments.				

Lessor: Cash-Basis Accounting Entries

Lease payments are recognized as revenue when received:

General Ledger Account	Subsidiary Ledger Required	Account Title	Debit	Credit
240		Cash	1,000	
960	Yes	Lease Income		1,000
To recognize lease revenue when received.				

Lease Accounting for Modified Accrual (F-196)
Accounting for Leases under modified accrual is different from cash basis accounting. Under modified accrual (F-196), the lessee is required to calculate the present value of the minimum lease payments as the liability under the lease agreement. Using the same scenario described above for cash-basis accounting, assume a school district signs a lease to pay $1,000 on September 30, 2020, the scheduled date of delivery of certain equipment. The lease payments are $1,000 per month for sixty months for a total of $60,000. The district will need to calculate the present value of the minimum lease payments. Assuming the discount rate on the lease is three percent, the present value of the lease is calculated: (Using the Present Value function tool in Excel, (.0025, 60, -1000,0,1), the present value of the minimum lease payments is $55,791.

Summary Amortization Schedule for Lease				
Date	Lease Payments	Interest Expenditures @ 3%	Principal Expenditure	Amount of Long-Term Debt
9/30/20				$55,791
8/31/21	$12,000	$1,387	$10,613	45,178
8/31/22	12,000	1,208	10,792	34,386
8/31/23	12,000	880	11,120	23,266
8/31/24	12,000	541	11,459	11,807
8/31/25	12,000	193	11,807	0
	$60,000	$4,209	$55,791	

Calculations and journal entries below are based on the summary amortization table (actual lease payments are made monthly):

Lessee: Modified Accrual Accounting Entries

The General Fund’s acquisition of equipment with a lease:

General Ledger Account	Subsidiary Ledger Required	Account Title	Debit	Credit
530	NCES 973X	Expenditures—Capital Outlay	55,791	
965	Yes	Other Financing Sources—Leases		55,791
To record the acquisition of equipment with a lease.				

The first payment on the lease on the date of delivery:

General Ledger Account	Subsidiary Ledger Required	Account Title	Debit	Credit
530	NCES 7831	Expenditures—Debt Service—Principal	1,000	
241		Warrants Outstanding		1,000
To record the first lease payment. Initially recorded as a liability.				

The remaining eleven monthly lease payments in year one:

General Ledger Account	Subsidiary Ledger Required	Account Title	Debit	Credit
530	NCES 7831	Expenditures—Debt Service—Principal	9,613	
530	NCES 7835	Expenditures—Debt Service—Interest	1,387	
241		Warrants Outstanding		11,000
To record the monthly lease payments. Initially recorded as a liability.				

In modified accrual accounting, a liability is generally recognized before warrants are issued. General Ledger Account Code 620—Leases Payable would be used in these instances. After the liability is created, the district issues warrants, removing the liability.

Lessor Accounting for Modified Accrual

Using the same values described in the lessee scenario, a school district that leases property to another organization recognizes a lease receivable and the deferred inflow on the present value of the minimum lease payments. The following example is for a 60 month lease, with payments of $1,000 per month, at a discount rate of 3% (present value of total lease payments = $55,791):

Summary Lessor Schedule with Deferred InFlow and Amortization						
Year	Total Payments	Receivable Reduction	Interest Income	Lease Receivable Balance	Lease Income	Deferred. Inflow Balance
				55,791		55,791
1	12,000	10,613	1,387	45,178	11,158	44,633
2	12,000	10,792	1,208	34,386	11,158	33,475
3	12,000	11,120	880	23,266	11,158	22,317
4	12,000	11,459	541	11,807	11,158	11,158
5	12,000	11,807	193	0	11,158	0
Total	60,000	55,791	4,209		55,791	

Calculations and journal entries below are based on summary amortization table (actual lease payments are made monthly):

Lessor: Modified Accrual Accounting Entries

The initial recording of the lease as a lessor:

General Ledger Account	Subsidiary Ledger Required	Account Title	Debit	Credit
345		Leases—Receivable	55,791	
755		Deferred Inflow—Leases		55,791
To recognize lease contract at the start of the lease term.				

The first-year lease payments received:

General Ledger Account	Subsidiary Ledger Required	Account Title	Debit	Credit
230		Cash	12,000	
345		Leases—Receivable		10,613
960	2450	Other Interest Income		1,387
To recognize the first year lease payment, interest income, and reduce the lease receivable.				

The first-year entry to reduce the Deferred Inflow and recognize lease income:

General Ledger Account	Subsidiary Ledger Required	Account Title	Debit	Credit
755		Deferred Inflow—Leases	11,158	
960	Yes	Lease Income		11,158
To recognize lease income and adjust Deferred Inflows.				

CHAPTER 8—FINANCIAL REPORTING

On page 8-13, lease terminology in the Schedule of Long-Term Liabilities instructions is modified.

Schedule of Long-Term Liabilities Instructions

Amounts that should be excluded from this schedule are payments due to vendors or employees that are expected to be paid normally as part of the disbursement cycle (i.e., accounts payable, payroll accruals), interfund loans (they do not represent a net claim on the financial resources of the district) and short-term leases.

On page 8-15, the Schedule of Long-Term Liabilities table illustration is modified. The two line items: “Capital Leases” and “Non-Cancellable Operating Leases” are replaced with a single line item “Leases.”

Schedule of Long-Term Liabilities					
For the Year Ended August 31, 20XX					
Description	Beginning Balance	Amount Issued or Increased	Amount Redeemed or Decreased	Ending Balance	Amount Due Within One Year
Leases					

Accounting and Reporting for ARP—IDEA

The American Rescue Plan Act, (HR 1319—ARP Act: Sec. 2014) provides additional funding for the Individuals with Disabilities Education Act (IDEA). The resources and expenditures must be segregated into the same Special Education—IDEA Programs: “Grants to States,” “Preschool,” and “Infants and Toddlers” as Special Education—IDEA Program 24. Because of the similarities to Program 24, OSPI is creating Program 23 for ARP—IDEA. The Program 23 expenditure matrix will be identical to Program 24, and the valid Program-Activity-NCES codes would mirror Program 24. S-275 Duty Codes will mirror those found in Program 24.

CHAPTER 5—REVENUES AND OTHER FINANCING SOURCES

On page 5-32, a new revenue code is added to account for ARP—IDEA.

6123 Special Education—ARP—IDEA

Applicable Fund: (GFS)

Record revenue received through OSPI from federal grants to assist school districts in providing supplemental services imposed by the requirement to provide a free appropriate public education to all eligible special education students. Include awards received for Transition Recovery Services. Include special education safety net awards.

See 6223 for this type of revenue received directly from the federal agency.
See 6323 for this type of revenue received from non-federal agencies other than OSPI.

(Reference: Individuals with Disabilities Education Act (IDEA) American Rescue Plan Act, HR 1319—ARP Act: Sec. 2014.)

On page 5-43, a new revenue code is added to account for ARP—IDEA.

6223 Special Education—ARP—IDEA
Applicable Fund: (GFS)

Record revenue from federal grants received directly from the federal agency to assist school districts in providing supplemental services imposed by the requirement to provide a free appropriate public education to all eligible special education students. Include special education safety net awards.

See 6123 for this type of revenue received from federal grants through OSPI.
See 6323 for this type of revenue received from non-federal agencies other than OSPI.

(Reference: Individuals with Disabilities Education Act (IDEA) American Rescue Plan Act, HR 1319—ARP Act: Sec. 2014.)

On page 5-53, a new revenue code is added to account for ARP—IDEA.

6323 Special Education—ARP—IDEA
Applicable Fund: (GFS)

Record revenue from federal grants to assist school districts in providing supplemental services imposed by the requirement to provide a free appropriate public education to all eligible special education students. Include special education safety net awards.

See 6123 for this type of revenue received from federal grants through OSPI.
See 6223 for this type of revenue received directly from the federal agency.

(Reference: Individuals with Disabilities Education Act (IDEA) American Rescue Plan Act, HR 1319—ARP Act: Sec. 2014.)

CHAPTER 6—GENERAL FUND EXPENDITURE ACCOUNTS

On page 6-27, a new program code is added to account for ARP—IDEA.

23 Special Education—ARP—IDEA—Federal

Record expenditures for allowable costs pursuant to the Elementary and Secondary School Emergency Relief III (ESSER III) funds under the American Rescue Plan Act of 2021; SEC. 2014, Elementary and Secondary School Emergency Relief Fund. LEAs shall use ARP—IDEA resources for special education excess cost expenditures allowable under the Individuals with Disabilities Education Act (IDEA), including but not limited to Transition Recovery Services.

APPENDIX A—PROGRAM EXPENDITURE MATRICES

PROGRAM 23—SPECIAL EDUCATION—ARP—IDEA—FEDERAL

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 and Safety										
26 Health and Related Services										
27 Teaching										
29 Payments to School Districts										
31 Instructional Prof Development										
32 Instructional Technology										
33 Curriculum										
TOTALS										

Accounting and Reporting for Fiduciary Funds

The Fiduciary Statement of Net Position currently uses the term "Held in Trust" to classify the equity accounts. In a review of other governments' fiduciary financial statements, the more appropriate terminology to classify the fiduciary fund equity accounts is "Restricted."

CHAPTER 4—GENERAL LEDGER ACCOUNTS

On Page 4-45, OSPI is modifying the titles to the following GL Account Coded to align with other reporting models.

854* Restricted for Intact Trust Principal

Applicable Fund: (PPTF, PTF)

For use only in fiduciary trust funds where the principal may not be expended, this account shows the portion of trust assets that represents principal. After the closing of the nonoperating revenue and nonoperating expense accounts, this account is equal to the principal of the trust.

- Credit with amounts received into the trust.
- Credit with the gains on the sale of investment principal.
- Debit with losses on the sale of investment principal.
- Debit with amounts removed from the trust by board action.
- Credit at fiscal year-end, with the balance of Account 968 Nonoperating Revenues.
- Debit as a closing entry the balance of Account 538 Nonoperating Expenditures.

856 Restricted in Trust for: Pension or Other Post-Employment Benefits

Applicable Fund: (PTF)

This account shows the funds available for authorized purposes restricted by the trust agreement and reserved for specific disbursement. This account represents the amounts reserved and available for specific use.

- Credit with amounts reserved for specific use in accordance with the trust agreement.
- Debit with amounts removed from the reserve by board action in accordance with the trust agreement.

857 Restricted for: Private Purposes

Applicable Fund: (PPTF)

This account shows the funds available for authorized purposes restricted by the trust agreement and reserved for specific disbursement such as scholarships. This account represents the amounts reserved and available for specific use.

- Credit with amounts reserved for specific use in accordance with the trust agreement.
- Debit with amounts removed from the reserve by board action in accordance with the trust agreement.

858 Restricted for: Other Purposes

Applicable Fund: (PPTF, PTF)

This account shows the funds available for authorized purposes restricted by the trust agreement and reserved for specific disbursement such as scholarships. This account represents the amounts reserved and available for specific use.

- Credit with amounts reserved for specific use in accordance with the trust agreement.
- Debit with amounts removed from the reserve by board action in accordance with the trust agreement.

INFORMATION AND ASSISTANCE

For questions regarding this bulletin, please contact Paul Stone, Supervisor of School District and ESD 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 under bulletins.

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