



SUPERINTENDENT OF PUBLIC INSTRUCTION

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BULLETIN NO. 034-16 SCHOOL APPORTIONMENT AND FINANCIAL SERVICES

TO: Educational Service District Superintendents
Chief School District Administrators
Assistant Superintendents for Business and/or Business Managers

FROM: Randy I. Dorn, State Superintendent of Public Instruction

RE: School District Accounting Manual Revisions for 2016–17

CONTACT: Paul Stone, 360-725-6303, paul.stone@k12.wa.us
Agency TTY: 360-664-3631

Purpose

The *Accounting Manual for Public School Districts in the State of Washington (Accounting Manual)* has been revised for the 2016–17 school year. The purpose of this bulletin is to advise school districts of revisions to and distribution of the *Accounting Manual*.

Effective Date

The effective date of the revised *Accounting Manual* is September 2016, and the changes are applicable to the school district fiscal year beginning September 1, 2016.

Accounting Manual Revisions

An overview of the revisions by chapter follows in **Attachment A**.

Distribution

The *Accounting Manual* is distributed electronically; printed copies are not mailed to school districts. The *Accounting Manual* can be accessed online by selecting “Instructions,” “Accounting Manual,” and “2016–17” from the SAFS web page at: <http://www.k12.wa.us/safs/>.

Direct access is at: <http://www.k12.wa.us/safs/INS/ACC/1617/am.asp>.

An online “print version” is provided 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 Becky Dillon at 360-725-6300, becky.dillon@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 State Association of County Treasurers, 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, Office of the State Treasurer, and Office of Superintendent of Public Instruction. All meetings are open to the public. Committee information including minutes are located on the web at:

<http://www.k12.wa.us/safs/pub/com/sdaac.asp>.

Assistance

If you would like additional clarification concerning the accounting definitions, theory, or practice underlying the revisions, please contact School Apportionment and Financial Services at 360-725-6303, or any member of the School District Accounting Advisory Committee listed at the front of the *Accounting Manual*. The agency TTY number is 360-664-3631.

K–12 FINANCIAL RESOURCES

T.J. Kelly, Director
School Apportionment and Financial
Services

EXECUTIVE SERVICES

Ken Kanikeberg
Chief of Staff

RD:pfs

Attachment A
Revisions to the School District Accounting Manual
For School Year 2016–17

CHAPTER 3 – Accounting Guidelines

Page 3-7, Timely Deposits: Narrative has been added to better describe the collection and deposit of public funds.

Timely Deposits

Article XI, Section 15, of the Constitution of the State of Washington requires that all moneys, assessments, and taxes belonging to or collected for the use of any public or municipal corporation shall immediately be deposited with the treasurer, or other legal depository. Chapter 28A.400.030(3) RCW requires the superintendent of a public school district to keep accurate and detailed accounts of all receipts and expenditures of school money.

Pursuant to RCW 43.09.240: Every public officer and employee, whose duty it is to collect or receive payments due or for the use of the public shall deposit such moneys collected or received by him or her with the treasurer of the local government once every twenty-four consecutive hours. The treasurer may in his or her discretion grant an exception where such daily transfers would not be administratively practical or feasible as long as the treasurer has received a written request from the department, district, or agency, and where the department, district, or agency certifies that the money is held with proper safekeeping and that the entity carries out proper theft protection to reduce risk of loss of funds. Exceptions granted by the treasurer shall state the frequency with which deposits are required as long as no exception exceeds a time period greater than one deposit per week.

Page 3-9, Unearned Revenues: The narrative has been modified, removing the Full-Day Kindergarten private payments received by the school district. Beginning in the 2016–17 school year, Full-Day Kindergarten is state funded. A new example is added.

Unearned Revenues

Under both the accrual and the modified accrual basis of accounting, revenue may be recognized only when it is earned. If assets are recognized in connection with a transaction before the earnings process is complete, those assets must be offset by a corresponding liability for unearned revenue. The revenue has been received and is available to pay for current liabilities of the district, but unless the district performs some service the money will have to be returned. An example would be a parent who prepays for the ASB Yearbook and/or school lunches in advance of the start of the school year.

Page 3-10, General Fund Fundraising: The narrative was moved from page 3-46 to this section to align with other Revenues and Receipts.

GENERAL FUND FUNDRAISING

Based on Attorney General Opinion Cite AGO 2003 No.1, dated February 19, 2003, districts have broad discretion to engage in fundraising activities. If a school district engages in General Fund fundraising, it is required to establish a board policy.

See the full Attorney General Opinion at www.atg.wa.gov for additional information.

Page 3-15, Voucher Certification and Approval: Narrative in this section has been modified to clarify expedited payment of claims and align the narrative with the referenced RCW.

Pursuant to RCW 42.24.180, in order to expedite the payment of claims, the Board of Directors of any school district, may authorize the issuance of warrants or checks in payment of claims after the provisions of this chapter have been met and after the officer designated by resolution of the school district, has signed the checks or warrants, but before the Board of Directors has acted to approve the claims. The Board of Directors may stipulate that certain kinds or amounts of claims shall not be paid before the board has reviewed the supporting documentation and approved the issue of checks or warrants in payment of those claims.

However, all of the following conditions shall be met before the payment:

- The auditing officer and the officer designated to sign the checks or warrants shall each be required to furnish an official bond for the faithful discharge of his or her duties in an amount determined by the Board of Directors but not less than fifty thousand dollars;
- The Board of Directors shall adopt contracting, hiring, purchasing, and disbursing policies that implement effective internal control;
- The Board of Directors shall provide for its review of the documentation supporting claims paid and for its approval of all checks or warrants issued in payment of claims at its next regularly scheduled public meeting; and
- The Board of Directors shall require that if, upon review, it disapproves some claims, the auditing officer and the officer designated to sign the checks or warrants shall jointly cause the disapproved claims to be recognized as receivables of the school district and to pursue collection diligently until the amounts disapproved are collected or until the Board of Directors is satisfied and approves the claims.

CHAPTER 4 – General Ledger Accounts

Page 4-23, GL 660 Unearned Revenue: The narrative has been modified, removing the Full-Day Kindergarten private payments received by school districts. Beginning in the 2016-17 school year, Full-Day Kindergarten is state funded. A new example is added.

660*▲ Unearned Revenue

Applicable Fund: (GF, ASB, DSF, CPF, TVF, PF)

Record in this account amounts that the district has received but that do not represent revenues because they have been received in advance of the earning of the revenue. These amounts will be converted into revenues once the district performs some service. An example would be a parent who prepays for the ASB Yearbook and/or school lunches in advance of the start of the school year.

- Credit with amounts charged to Accounts 230, 240, 330, or 340 that do not represent revenues because the district has not performed a service that has been paid for in advance.
- Debit with amounts that become revenues. (Contra entry: credit Account 960 Revenues.)

CHAPTER 5 – Revenues and Other Financing Sources

Page 5-9 Deductible Revenues: The language in the 2015–17 biennial budget allows districts to keep all of their federal forest revenue with no conditional requirements to qualify. In section 502 of the budget, it states the following: “*School districts receiving federal forest revenues shall not have their general apportionment reduced during the 2015–17 biennium only.*” References to Federal Forests revenues have been removed from this section on deductible revenues.

Deductible Revenues

The following General Fund revenues of the school district reduce the state payment to the district in Revenue 3100 Apportionment. Resources received in these accounts in the debt service, capital project, and transportation vehicle funds are not deductible revenues.

- 1400 Local in Lieu of Taxes
- 1600 County-Administered Forests
- 3600 State Forests
- 5400 Federal in Lieu of Taxes

Page 5-11, Revenue 2100 Tuition and Fees—Unassigned: The narrative has been modified to better describe the revenue code and to distinguish fees from the sales of goods and services. The legal reference is modified. The narrative is also removed regarding the Full-Day Kindergarten private payments received by school districts. Beginning in the 2016–17 school year, Full-Day Kindergarten is state funded.

2100 Tuition and Fees—Unassigned

Applicable Fund: (GF)

Record revenue from tuition and fees to attend or participate in an activity or academic event not assigned to another specific revenue account. This should include revenues from tuition and fees not funded by basic education, or levy.

(Reference: AGO 73-11.)

Page 5-12, Revenue 2200 Sales of Goods, Supplies, and Services—Unassigned:

Narrative has been added to better describe the revenue code and to distinguish the sales of goods and services from fees. Legal references are modified.

2200 Sales of Goods, Supplies, and Services—Unassigned

Applicable Fund: (GF, CPF, TVF)

Record revenue derived from the sales of goods, supplies, and services that are not assigned to a specific program. Include classroom fees that represent the sale of optional student materials or project materials consumed or kept by the student. Include fees that represent the sale of services.

(Reference: AGO 73-11, RCW 28A.335.090, RCW 39.33.070.)

Page 5-14, Revenue 2600 Fines and Damages: A legal reference is added.

2600 Fines and Damages

Applicable Fund: (GF, CPF, TVF)

Record revenue from individuals for fines imposed for destruction of school property, and for payments made to reimburse the district for damage done to school property.

Refundable deposits made to cover the damage or loss of loaned textbooks and materials should not be recorded in this account, but instead in General Ledger Account 650 Deposits. When the refund will not be made because of loss or damage, this revenue account shall be credited and the 650 account debited.

(Reference: RCW 28A.635.060.)

Page 5-15, Revenue 2900 Local Support Non-Tax—Unassigned: Additional narrative is included for specific types of local support. The narrative modification is bolded below.

2900 Local Support Non-Tax—Unassigned

Applicable Fund: (GF, DSF, CPF, TVF)

Record revenue from any local non-tax source for which a specific revenue account has not been provided. Include in this account items such as county-assessed impact fees and the difference in the amount recorded as revenue and the amount actually deposited (cash over and short).

Page 5-22, Revenue 5500 Federal Forests: Narrative has been added describing the new funding methodology.

5500 Federal Forests

Applicable Fund: (GF, DSF, CPF)

Record revenue from the distribution of federal forest fees.

Districts will be allowed to keep all of their federal forest revenue with no conditional requirements to qualify. During the 2016–17 school year, school districts receiving federal forest revenues shall not have their general apportionment reduced.

CHAPTER 6 – Expenditure Accounts

Page 6-9, Special Education Instruction: The narrative introducing the Program expenditure type 20 is modified and updated. Selected text containing changes is shown here.

Special education students are individuals classified as developmentally delayed, **intellectually disabled**, multi-disabled, deaf-blind...

Beginning with the 2007–08 school year, districts are subject to the Washington State Excess Cost Method (WSECM).

The WSECM **relies** on each school district's **Federal Child Count Report—Implementation of Least Restrictive Environment**, to determine the amount of service provided to special education students outside the regular classroom.

Page 6-10, Program 21 Special Education—Supplemental—State: The narrative has been modified.

21 Special Education—Supplemental—State

Record special education expenditures funded by state and other sources. Include preschool special education expenditures. Also include expenses for providing home hospital services pursuant to WAC 392-172A-02100 and Medicaid school-based healthcare services for eligible special education students.

Page 6-10, Program 22 Special Education—Infants and Toddlers—State: The narrative has been modified.

22 Special Education—Infants and Toddlers—State

Record expenditures for providing early intervention services to all children with disabilities from birth through age two. School districts provide or contract for early intervention services in partnership with local birth through two lead agencies and birth through two providers. Once a child reaches age three, record Individual Education Program (IEP) expenditures in Program 21 Special Education—Supplemental—State.

(Reference: RCW 28A.155.065.)

Page 6-10, Program 24 Special Education— Supplemental—Federal: The narrative has been modified and condensed.

24 Special Education—Supplemental—Federal

Record special education excess cost expenditures for federal grants under the Individuals with Disabilities Education Act (IDEA). Federally funded portions of the safety net awards (revenue code 6124) should be reflected in program 24 expenditures.

IDEA resources are intended to supplement and, to the extent practicable, increase the level of state and local moneys expended for the education of special education students and in no case to supplant such state and local funds.

Page 6-16, Program 79 Instructional Programs—Other: The narrative has been modified, removing the Full-Day Kindergarten from Other Instructional Programs. Beginning in the 2016–17 school year, Full-Day Kindergarten is state funded.

79 Instructional Programs—Other

Record expenditures not directly identifiable with specific other instructional programs in the 70 series. Examples include, but are not limited to, the following:

- AIDS Education
- Character Education
- Drug and Alcohol Substance Abuse (DASA) Prevention and Intervention
- Refugee School Impact
- Linking Education
- REAP
- Teen Aware
- GEAR UP

Page 6-28, Activity 63 Operation of Buildings: The narrative has been clarified to better distinguish Activity 63 from Activity 64 Maintenance. The narrative modification is bolded below.

63 Operation of Buildings

Operations encompass those activities related to a building's normal performance of the function for which it is used. Include expenditures **for custodians**. Include expenditures for all small equipment items and consumable supplies used by personnel in operating the building.

In addition, include rental expenditures for land and buildings for purposes other than pupil transportation. Equipment rentals are charged to the using activity and appropriate program.

CHAPTER 8 – Financial Reporting

Page 8-15, Schedule of Long-Term Liabilities: The instructions for column 5, Amount Due Within One Year has been modified and conflicting language removed. The narrative modification is bolded below.

Column 5: Amount Due Within One Year: Record the principal amount outstanding at the end of the year that will become due by August 31 of the subsequent year.

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.

CHAPTER 10 – Grant Management

Page 10-15, Special Education Maintenance of Effort: The narrative has been clarified for new reporting rules. The narrative modifications are bolded below.

Special Education Maintenance of Effort

The Individuals with Disabilities Education Act (IDEA) has separate rules for determining maintenance of effort.

The rules for the special education MOE test require that a district spend the same amount in a given fiscal year on the education of students with disabilities as it did in the prior year, comparing both state and local expenditures combined or just local expenditures by themselves. Both types of tests are run in both the aggregate and in terms of per-pupil expenditures. A preliminary test is run on the F-196 for all districts, with a final test being performed at a later date by School Apportionment and Financial Services.

There are two main differences between the special education MOE test and the ESEA cross-cutting test. The first difference is the special education test requires that the district's expenditures are at least the same as the prior **year's or the last year in which the district passed maintenance of effort using the same maintenance of effort test**, whereas the cross-cutting test allows districts to fall to as low as 90 percent of the prior year's level. The second difference is that special education expenditures may be reduced by up to 50 percent of the district's increase in IDEA funding in the current year compared to the prior year **provided the district meets certain conditions**. If the district chooses this option, it must expend an amount of local funds equal to the deduction for activities that are authorized under the Elementary and Secondary Education Act.