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## SUPERINTENDENT OF PUBLIC INSTRUCTION

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August 10, 2017

( ) Action Required

( X ) Informational

BULLETIN NO. 049-17 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 2017–18 School Year

CONTACT: Paul Stone, Supervisor, School District and ESD Accounting  
360-725-6303, [paul.stone@k12.wa.us](mailto:paul.stone@k12.wa.us)

### **PURPOSE/BACKGROUND**

The *Accounting Manual for Public School Districts in the State of Washington (Accounting Manual)* has been revised for the 2017–18 school year. The effective date of the revised Accounting Manual is September 2017, and the changes are applicable to the school district fiscal year beginning September 1, 2017.

The purpose of this bulletin is to advise school districts of the revisions and distribution of the *Accounting Manual*. 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 “2017–18” from the SAFS website at <http://www.k12.wa.us/safs/>.

Direct access is at <http://www.k12.wa.us/safs/INS/ACC/1718/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](mailto:becky.dillon@k12.wa.us), or OSPI SAFS, P.O. Box 47200, Olympia, WA 98504.

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### **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 Web at <http://www.k12.wa.us/safs/pub/com/sdaac.asp>.

### **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](mailto:paul.stone@k12.wa.us). The OSPI TTY number is 360-664-3631.

This bulletin is also available on the OSPI website at <http://www.k12.wa.us/BulletinsMemos/bulletins2017.aspx>.

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CR: pfs

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The following are the revisions to the 2017–18 *Accounting Manual*:

- **CHAPTER 3 – Accounting Guidelines:**
  - A new section is added near Page 3-25 to provide guidance on Warrant Cancellation and Unclaimed Property.
- **CHAPTER 4 – General Ledger Accounts:**
  - General ledger account codes and narrative guidance is included for the long-term debt holding accounts, beginning near Page 4-30.
  - Near Page 4-38, the guidance for GL 825, Restricted for Skill Center, is modified.
- **CHAPTER 5 – Revenue and Other Financing Sources:**
  - Near Page 5-43, a new revenue code, 7147, is added to the chart of accounts for Skill Center–Facility Upgrades.
  - Near Page 5-48, the guidance for Revenue Code 9900, Transfers, is modified. Interfund activity guidance has been compiled in Chapter 3.
- **CHAPTER 6 – Expenditure Accounts:**
  - Near Page 6-12, a new Program 47, Skill Center—Facility Upgrades is added to the chart of accounts.
  - Near Page 6-51, a Program Expenditure Matrix is added for Program 47.
  - Near Page 6-67, the guidance regarding Transportation Vehicle Fund expenditures is modified. Interfund activity guidance has been compiled in Chapter 3.
- **CHAPTER 7 – General Journal Entries:**
  - Illustrative general journal entries are provided near Page 7-7, for the new guidance added in Chapter 3.
- **CHAPTER 9 – Information Unique to Each Fund:**
  - Near Page 9-21, narrative regarding fund balance accounting is modified to more appropriate guidance.

### **CHAPTER 3 – Accounting Guidelines**

**Page 3-25, Warrant Cancellation and Unclaimed Property:** A new section is added to the 2017–18 Accounting Manual in Chapter 3 and JV examples in Chapter 7 to provide guidance regarding unclaimed property. In Chapter 3, the new section will follow the section titled “Warrants” and precede the section titled “Duplicate Instruments.”

#### **Warrant Cancellation and Unclaimed Property**

Warrants outstanding after one year should be canceled by passage of a resolution of the school board, and the records shall be as if the warrants were never issued (RCW 39.56.040).

Even though the records shall be as if the warrants were never issued, school districts remain liable to pay the person or entity subsequently establishing its ownership of this property (RCW 63.29.135).

Unclaimed Property is money or intangible property owed to an individual or business. Many types of transactions may result in unclaimed property. Examples include: uncashed warrants for vendors, parent refunds, employee travel and expense reimbursements, and lunch deposits on account.

Property is considered unclaimed after it is held for a period of time with no owner contact, and a good faith effort has been made to locate the owner. School districts are required to report unclaimed property to the Department of Revenue before November 1st each year. Although reporting is mandatory, school districts have the option of remitting unclaimed warrants to the Department of Revenue or retaining it at the school district (RCW 63.29.190). Abandoned deposits on account must be paid or delivered to the Department of Revenue in accordance with their guidelines.

For items over \$75, written notices must be sent to payees with valid addresses between May 1 and August 1 informing them that there is unclaimed money being held for them. Because school districts must complete an Affidavit of Lost or Destroyed Warrant before reissuing a lost warrant, the district may wish to include the partially completed affidavit with the due diligence letter. The district should keep records of all due diligence letters sent and any responses received. If the district does not get a response, the warrant should be canceled and the amount considered unclaimed property.

There are two acceptable methods for handling unclaimed property. The first method when canceling the warrant is to record the cancellation of the warrant as a reduction of the original expenditure and maintain a separate schedule for unclaimed property indefinitely (RCW 63.29.135). An alternative practice when canceling the warrant is to record a liability; subsequently clearing the liability when the amount is remitted to a claimant. Journal entry examples are found in Chapter 7.

#### **CHAPTER 4 – General Ledger Accounts**

A new group of General Ledger Account Codes is added to the School District Accounting Manual. The intent is to align coding and narrative descriptions for the Long-Term Debt Account Group. The use of these General Ledger Accounts is OPTIONAL.

G/L Code 603 is deleted; Contracts Payable – Long Term, is now G/L Code 714.

G/L Code 690 is deleted; Voted Bonds, is now G/L Code 701.

Non-Voted Notes Not Recorded as Debt, is deleted from the Schedule of Long-Term Liabilities.

This schedule aligns to the Schedule of Long-Term Liabilities.

<b>Schedule of Long-Term Liabilities</b>		
Description	Former G/L Accounts	New G/L Accounts
<b>Voted Debt</b>		
Voted Bonds	<del>690</del>	<b>701</b>
LOCAL Program Proceeds Issued in lieu of bonds		<b>702</b>
<b>Non-Voted Debt and Liabilities</b>		
Non-Voted Bonds		<b>711</b>
LOCAL Program Proceeds		<b>712</b>
Capital Leases		<b>713</b>
Contracts Payable	<del>603</del>	<b>714</b>
Non-Cancellable Operating Leases		<b>715</b>
Claims & Judgments		<b>716</b>
Compensated Absences		<b>717</b>
Long-Term Notes		<b>718</b>
Anticipation Notes Payable		<b>719</b>
Lines of Credit		<b>720</b>
Other Non-Voted Debt		<b>729</b>
<b>Other Liabilities</b>		
<del>Non-Voted Notes Not Recorded as Debt</del>		
Net Pension Liability TRS 1		<b>741</b>
Net Pension Liability TRS 2/3		<b>742</b>
Net Pension Liability SERS 2/3		<b>743</b>
Net Pension Liability PERS 1		<b>744</b>

The following narrative guidance is included for the long-term debt holding accounts, beginning near page 4-30 in Chapter 4.

**701\*  *Voted Debt–Bonds Payable-Long Term***

Applicable Fund: (SLTL)

This account is for principal on voted bond issues that have not matured on the Schedule of Long-Term Liabilities. Subsidiary accounts should be maintained for each bond issue.

- Credit with the amount of bond principal when bonds are sold. (Contra entry: debit Account 480 Amount to be Provided for Debt Retirement.)
- Credit with the amount of new bonds issued during a refunding. (Contra entry: debit account 480 Amount to be Provided for Debt Retirement.)
- Debit with the amount of matured bond principal. (Contra entry: credit account 470 Amount Available in Debt Service Fund.)
- Debit with the amount of outstanding bonds redeemed during a refunding. (Contra entry: credit account 480 Amount to be Provided for Debt Retirement.)

**702\*  *Voted Debt–LOCAL Program Proceeds -Long Term***

Applicable Fund: (SLTL)

This account is for principal on voted LOCAL program proceeds issued in lieu of bonds that have not matured on the Schedule of Long-Term Liabilities. Subsidiary accounts should be maintained for each LOCAL issue.

- Credit with the amount of LOCAL program principal when the financing agreements are executed. (Contra entry: debit Account 480 Amount to be Provided for Debt Retirement.)
- Debit with the amount of matured LOCAL program principal. (Contra entry: credit Account 470 Amount Available in Debt Service Fund.)

**711\*  *Non-Voted Bonds Payable–Long Term***

Applicable Fund: (SLTL)

The account is for principal on non-voted bond issues that have not matured on the Schedule of Long-Term Liabilities. Subsidiary accounts should be maintained for each bond issue.

- Credit with the amount of bond principal when bonds are sold. (Contra entry: debit account 480 Amount to be Provided for Debt Retirement.)
- Credit with the amount of new bonds issued during a refunding. (Contra entry: debit account 480 Amount to be Provided for Debt Retirement.)

- Debit with the amount of matured bond principal. (Contra entry: credit account 470 Amount Available in Debt Service Fund.)
- Debit with the amount of outstanding bonds redeemed during a refunding. (Contra entry: credit account 480 Amount to be Provided for Debt Retirement.)

**712\***  ***Non-Voted LOCAL Program Proceeds—Long Term***

Applicable Fund: (SLTL)

This account is for principal on non-voted LOCAL program proceeds issued in lieu of bonds that have not matured on the Schedule of Long-Term Liabilities. Subsidiary accounts should be maintained for each LOCAL issue.

- Credit with the amount of LOCAL program principal when the financing agreements are executed. (Contra entry: debit Account 480 Amount to be Provided for Debt Retirement.)
- Debit with the amount of matured LOCAL program principal. (Contra entry: credit Account 470 Amount Available in Debt Service Fund.)

**713\***  ***Capital Leases—Long Term***

Applicable Fund: (SLTL)

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

- Credit with the amount of the principal on the capital 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.)

**714\***  ***Contracts Payable—Long Term***

Applicable Fund: (SLTL)

Account balances are to be included on the Schedule of Long-Term Liabilities. The amount of unmatured principal payable on long-term contracts is recorded in this account. The amount should not include any interest charges. Long term contracts include all agreements whereby the school district obtains goods or services by the end of the current fiscal year and final payment for those good or services will be made from appropriation for a subsequent fiscal year. Such agreements include conditional sales contracts and installment purchases.

- Credit with the cash price (the price that would be paid for a cash sale) of goods or services purchased under long-term contracts. (Contra entry: debit Account 480 Amount to be Provided for Debt Retirement.)
- Debit with matured principal on long-term contracts payable. (Contra entry: credit Account 480 amount to be Provided for Debt Retirement.)
- Subsidiary accounts should be maintained for each contract.

**715\* ▶ *Non-cancelable Operating Leases–Long Term***

Applicable Fund: (SLTL)

Account balances are to be included on the Schedule of Long-Term Liabilities. The amount of unmatured principal payable on operating leases is recorded in this account. Operating leases do not transfer title to the lessee at the end of the lease. Non-cancelable means there is not a clause that allows the district to cancel the long-term lease if funding is not available.

- Credit with the cash price (the price that would be paid for a cash sale) of goods or services purchased under non-cancelable operating leases. (Contra entry: debit account 480 Amount to be Provided for Debt Retirement.)
- Debit with matured principal on non-cancelable operating leases. (Contra entry: credit account 480 Amount to be Provided for Debt Retirement.)
- Subsidiary accounts should be maintained for each contract.

**716\* ▶ *Claims and Judgements–Long Term***

Applicable Fund: (SLTL)

Account balances are to be included on the Schedule of Long-Term Liabilities. Record in this account any filed and unfiled claims and other impairments of the district's assets. Such claims may include job-related illness, injury to employees, workers compensation claims, unemployment compensation claims, judgments and damages, auditor's exceptions and monetary findings and acts of God. Record here only those items that have a reasonable possibility of occurrence – more than remote and less than likely. If the item is probable, the event is likely, and the amount can be reasonably estimated, a liability in the fund responsible should be recorded for amounts that would normally be liquidated with current financial resources.

- Credit with the claim or judgement at an amount reasonably estimated. (Contra entry: debit account 480 Amount to be Provided for Debt Retirement or 475 Amount Available in Other Funds)



- Debit with realized or reduced liability estimates. (Contra entry: credit account 480 Amount to be Provided for Debt Retirement or account 475 Amount Available in Other Funds)

**717\***  ***Compensated Absences***

Applicable Fund: (SLTL)

Account balances are to be included on the Schedule of Long-Term Liabilities. Record in this account amounts owed to employees for unpaid vacation and sick leave liabilities.

- Credit with the estimated vacation and sick leave liability calculated increases (Contra entry: debit account 480 Amount to be Provided for Debt Retirement or 475 Amount Available in Other Funds.)
- Debit with realized or reduced liability estimates. (Contra entry: credit account 480 Amount to be Provided for Debt Retirement or account 475 Amount Available in Other Funds.)

**718\***  ***Notes Payable—Long Term***

Applicable Fund: (SLTL)

Account balances are to be included on the Schedule of Long-Term Liabilities. The amount of unmatured principal payable on notes is recorded in this account. The amount should not include any interest charges. A long-term note is a loan from a bank or similar lender, or a transaction that has the elements of a conditional sales contract, except the district received title to the acquisition immediately and the vendor is paid off with the loan proceeds. Long-term notes shall be reported at face (gross) value, instead of net of trade in and other costs. A liability in the fund responsible should be recorded for amounts that would normally be liquidated with current financial resources.

- Credit with the face (gross) value, instead of net of trade in and other costs. (Contra entry: debit account 480 Amount to be Provided for Debt Retirement.)
- Debit with matured principal on long-term notes payable. (Contra entry: credit account 480 amount to be Provided for Debt Retirement.)
- Subsidiary accounts should be maintained for each contract.

**719\***  ***Anticipation Notes Payable—Long Term***

Applicable Fund: (SLTL)

Account balances are to be included on the Schedule of Long-Term Liabilities. This account is used to record the amount of principal due on Revenue Anticipation Notes (RANs), Tax Anticipation Notes (TANs), or Bond Anticipation Notes (BANs) from which the school district received moneys in exchange for a promise to make repayment at a later date. Repayments come from anticipated revenues (RANs), tax collections (TANs), or bond proceeds (BANs). Anticipation Notes Payable are always considered short-term and must also be recorded as a fund liability in account 606 Anticipation Notes Payable—Short Term.

- Credit with the face value of the loan from the bank on a RAN. (Contra entry: debit account 480 Amount to be Provided for Debt Retirement.)
- Debit with matured principal on anticipation notes payable. (Contra entry: credit account 480 amount to be Provided for Debt Retirement.)

**720\***  ***Lines of Credit—Long Term***

Applicable Fund: (SLTL)

Account balances are to be included on the Schedule of Long-Term Liabilities. If the district has a line of credit with the county treasurer or another financial institution, only the amount that has actually been used is to be reported on the Schedule of Long-Term Liabilities. The amount should not include any interest charges. A liability in the fund responsible should be recorded for amounts that would normally be liquidated with current financial resources.

- Credit with the amount of credit used. (Contra entry: debit account 480 Amount to be Provided for Debt Retirement.)
- Debit with matured principal on lines of credit. (Contra entry: credit account 480 amount to be Provided for Debt Retirement.)
- Subsidiary accounts should be maintained for each contract.

**729\***  ***Other Non—Voted Debt***

Applicable Fund: (SLTL)

Account balances are to be included on the Schedule of Long-Term Liabilities. Record the unmatured principal of debt not assigned to another specific account. A liability in the fund responsible should be recorded for amounts that would normally be liquidated with current financial resources.

- Credit with the amount of debt not assigned to another specific account. (Contra entry: debit account 480 Amount to be Provided for Debt Retirement.)
- Debit with matured principal on other non-voted debt. (Contra entry: credit account 480 amount to be Provided for Debt Retirement.)
- Subsidiary accounts should be maintained for each contract.

**741\***  ***Net Pension Liability–TRS 1***

Applicable Fund: (SLTL)

Account balance is to be included on the Schedule of Long-Term Liabilities. Record here the amount of the district's share of the net pension liability for Washington State Department of Retirement Systems (DRS) TRS 1 Plan.

- Credit with the increase in the net pension liability calculation. (Contra entry: debit account 480 Amount to be Provided for Debt Retirement.)
- Debit with the total decrease of the net pension liability calculation. (Contra entry: credit account 480 amount to be Provided for Debt Retirement.)

**742\***  ***Net Pension Liability–TRS 2/3***

Applicable Fund: (SLTL)

Account balance is to be included on the Schedule of Long-Term Liabilities. Record here the amount of the district's share of the net pension liability for Washington State Department of Retirement Systems (DRS) TRS 2/3 Plan.

- Credit with the increase in the net pension liability calculation. (Contra entry: debit account 480 Amount to be Provided for Debt Retirement.)
- Debit with the total decrease of the net pension liability calculation. (Contra entry: credit account 480 amount to be Provided for Debt Retirement.)

**743\***  ***Net Pension Liability–SERS 2/3***

Applicable Fund: (SLTL)

Account balance is to be included on the Schedule of Long-Term Liabilities. Record here the amount of the district's share of the net pension liability for Washington State Department of Retirement Systems (DRS) SERS 2/3 Plan.

- Credit with the increase in the net pension liability calculation. (Contra entry: debit account 480 Amount to be Provided for Debt Retirement.)
- Debit with the total decrease of the net pension liability calculation. (Contra entry: credit account 480 amount to be Provided for Debt Retirement.)

**744\*  Net Pension Liability–PERS 1**

Applicable Fund: (SLTL)

Account balance is to be included on the Schedule of Long-Term Liabilities. Record here the amount of the district's share of the net pension liability for Washington State Department of Retirement Systems (DRS) PERS 1 Plan.

- Credit with the increase in the net pension liability calculation. (Contra entry: debit account 480 Amount to be Provided for Debt Retirement.)
- Debit with the total decrease of the net pension liability calculation. (Contra entry: credit account 480 amount to be Provided for Debt Retirement.)

**CHAPTER 5 – Revenue and Other Financing Sources**

**Page 5-43, Revenue 7147 Skill Center–Facility Upgrades:** A new revenue code is added to the chart of accounts to segregate resources provided to skill center host districts, for a minor repair and maintenance account.

***7147 Skill Center–Facility Upgrades***

Applicable Fund: (GF)

Host districts record revenue from other school districts participating in an interdistrict skill center program. These resources are restricted for use to provide a separate minor repair and maintenance capital account on facilities constructed or renovated with state funding. The host district has authority to collect those deposits by charging participating districts an annual per-pupil facility fee.

(Reference: SSB 5644)

**Page 5-48, Revenue 9900 Transfers:** The narrative description for Revenue 9900, Transfers, is condensed. Narrative guidance on nonreciprocal transfers is moved to Chapter 3. The section now reads as follows:



**Page 6-67, Transportation Vehicle Fund Expenditures:** The following guidance in this section is being deleted. All narrative guidance regarding nonreciprocal interfund transfers is compiled in Chapter 3.

**TRANSPORTATION VEHICLE FUND EXPENDITURES**

~~The General Fund is prohibited from using its resources for pupil transportation vehicle purchases or rebuilding, or for the related debt service of past or future obligations. However, the General Fund may transfer resources to the Transportation Vehicle Fund to be used for these purposes.~~

**CHAPTER 7 – General Journal Entries**

**Page 7-7, Warrant Cancellation and Unclaimed Property:** General Journal Entry illustrations are provided for the new guidance added in Chapter 3.

<u>G/L Account</u>	<u>Sub G/L Acct Req</u>	<u>Account Title</u>		Debit	Credit
<b>Canceling a Warrant and reversing the original expenditure.</b>					
241		Warrants Outstanding		XXX	
530	Yes	Expenditure (reduction of original account)			XXX
To record the cancellation of a warrant, crediting the original expenditure account. The district remains liable to pay unclaimed property to the person or entity subsequently establishing ownership.					
<b>Canceling a Warrant and recording a liability for unclaimed property.</b>					
241		Warrants Outstanding		XXX	
601		Accounts Payable			XXX
To record the cancellation of a warrant and to recognize a liability for unclaimed property. G/L 601 clears when unclaimed property is remitted.					
<b>Unused student deposits, on account.</b>					
960	Yes	Local Revenue (reduction of original posting).		XXX	
660		Unearned Revenue			XXX
To reverse the recognition of revenue and move unclaimed property to Unearned Revenue before remitting to the Department of Revenue (DOR).					

G/L <u>Account</u>	Sub G/L Acct <u>Req</u>	<u>Account Title</u>	Debit	Credit
<b>Unused/unearned deposits on account for student activities. Recording a liability to send the unclaimed property to the Department of Revenue.</b>				
660		Unearned Revenue	XXX	
601		Accounts Payable		XXX
To reverse unused/unearned monies deposited in a student account and the property is unclaimed. Recognize a liability to the Department of Revenue for unclaimed property. G/L 601 clears when unclaimed property is remitted to DOR.				

**CHAPTER 9 – Information Unique to Each Fund**

**Page 9-21, *Restriction of Fund Balance Using Source/Use Code*:** Fund Balance, categorized as restricted, committed, or assigned cannot be reported as a negative amount.

The following narrative in this section is being deleted.

- ~~Each fund balance restriction account can carry positive (credit) or negative (debit) balances regardless of whether total fund balance, including that restriction, is positive or negative.~~

Appropriate guidance is included in this section of Chapter 9.

- Restricted net position is intended to portray, at the date of the balance sheet or statement of net position, the extent to which the government has assets that can only be used for a specific purpose. If the related liabilities exceed the assets on hand, then the "shortfall," by default, is covered by unrestricted net position. Extending that logic to the unrestricted fund balance classifications, shortfalls in any of the classifications would be covered by the next classification for that specific purpose in the government's spending prioritization policy (stopping at zero in each classification). Thus, if fund balance (exclusive of nonspendable amounts) in total is negative, then the negative amount can only be attributed to the unassigned fund balance classification.