

School District Accounting Advisory Committee

Selected Accounting Topics for Review and prepare for
changes to the 2024–25 School District Accounting Manual

October 12, 2023



Washington Office of Superintendent of
PUBLIC INSTRUCTION

Today's Agenda

- 2023–24 SDAM Addendum #1: In-Lieu of Student Transportation
- E-Rate Federal still unknown.
- Federal Revenue Code Naming Convention for SEFA
- Leases (& SBITAs) in the Capital Projects Fund
- F-196 Process, in General
- SDAAC Sub-Committee: Discussion on CTE Allowable Costs
- Sub-Committee: GASB 87 Leases and RCW 28A.335.170
- Sub-Committee: F-195 Programming
- Sub-Committee: Indirect Rates
- Other Topics
- Updated SDAAC Meeting Schedule



2023–2024 SDAM Addendum #1

In Chapter 6, on Page 6-31:

- Program 99 guidance is modified to clarify allowable costs for In-Lieu of Pupil Transportation. WAC 392-141-350
- Any “to and from” transportation that is not in a district-approved bus is by definition: **“in-lieu of” riding the bus.**
- Prior year fiscal expenditures should be reviewed.

Questions, Thoughts, Comments about Addendum #1?



2023–2024 SDAM Addendum #1

- Full text on OSPI Webpage: Instructions and Tools / Accounting Manual

Accounting Manual

- [Complete 2023-24 Accounting Manual - 636 pages](#) (posted August 10, 2023)

Bulletins & Newsletter Announcements

- [Newsletter Announcement 230804 | School District Accounting Manual Revisions \(sent August 1, 2023\)](#)
- [Newsletter Announcement 230928 | School District Accounting Manual Addendum #1 \(sent September 29, 2023\)](#)
- OSPI SAFS GovDelivery dated 10/2/2023



E-Rate Program

- The requirements of Subpart F are being re-evaluated by the FCC and are not currently being applied to E-Rate funds.
- The FCC will make a final determination about the implementation of Subpart F in the near future. However, the FCC will not implement Subpart F for E-Rate any time prior to July 1, 2024, so as to allow enough time to fully communicate the FCC's plans to E-Rate beneficiaries and their auditors so they can prepare accordingly.

E-Rate—Federal

- “Will not implement Sub-Part F any time prior to July 2024” could mean:
 - Districts that receive E-Rate Funding Commitment Decision Letters for service beginning ON July 1, 2024, could be the recipients of Federal Awards.
 - E-Rate expenditures for July and August of 2024 may need to be reported on the SEFA.

E-Rate Accounting Best Practice

- You should be able to distinguish the
 - FY23 E-Rate Award and Expenditures from
 - FY24 E-Rate Award and Expenditures
 - Only Federal E-Rate should be coded to 79-66.
- **Questions and Observations about Accounting for E-RATE?**



Federal Revenue Code Naming Convention and the SEFA

- 61XX
- 62XX
- 63XX

Federal Agency (Pass-Through Agency)	ALN	From Pass Through Awards	From Direct Awards
Federal Agency (via OSPI)		61XX	
Federal Agency [prefix match]	[Prefix match]		62XX
Federal Agency (via another Federal Agency)		63XX?	62XX?
Federal Agency (via another State Agency)		63XX	

- **Questions, Thoughts, Comments, about Narrative Description of Revenue Codes in the Accounting Manual?**



The F-196 Process, in General

- Share any thoughts about the current year-end fiscal process
- Anything you would add to an F-196 Wish-List
- **Questions, Thoughts, Comments, Observations?**

SDAAC Sub Committee: The CTE Funding Model

- SDAAC Sub-Committee met on September 29
- Reviewed the CTE funding model and discussed potential modifications to accounting guidance.
- Next Meeting is October 31

Questions or Feedback about the CTE Sub-Committee Meeting?

SDAAC Sub Committee: Leases

Modifying Lease Guidance for PV Calculation

- First Meeting TBD
- Current Group: Alphonso Melton, Paul Stone, Ryan Montgomery, Holly Burlingame, Sarah Jahn
- Other Volunteers?
- GASB 87 Guidance in conflict with RCW 28A.335.170
- Any SDAAC Modification of GASB 87 would be a departure from GAAP
- Discussion, Comments, Questions?

SDAAC Sub Committee: Leases

Leases (& SBITAs) in the Capital Projects Fund

- Prior to GASB 87, we used the standard of "Capital Leases" to determine if a lease could be charged to the Capital Projects Fund.
- This affects SBITA's as well.
- Now What?
 - Can we record the initial cost 530 and 965 in the CPF?
 - Can we record the interest and principal payments in the CPF?
 - Is it an operating cost accounted for in the GF and money transferred from CPF to GF to cover?
- **Questions, Thoughts, Comments, Observations?**



SDAAC Sub Committee: Leases Capitalization Threshold — Clearly Trivial

- **FASB ASC 842 Lease Capitalization Policy**
 - Auditors are required under AU-C 450, to accumulate and report misstatements that are more than “**clearly trivial**”.
 - School Districts and their auditors should strive to set a lease capitalization policy where all parties are comfortable that the “**clearly trivial**” threshold of the auditor will not be tripped.
 - AU-C 450.A2 indicates that “clearly trivial” is not another expression for “not material.”
 - In some firms, the “clearly trivial” threshold is set at 10% of an established materiality benchmark. *[Materiality = \$1X: Clearly Trivial = \$0.1X Materiality].*

Sub Committee: Lease Capitalization Threshold — The Direction we are Heading

- The Accounting Manual should prescribe a conservative threshold formula.
- For example, .02% of assets. (\$25 Million Assets X .02% = \$5,000)
- Or a \$5,000 base amount and \$10,000 (for larger districts).
- Note 1 has a section titled:
- **Capitalization Threshold for Leases and Subscription-Based Information Technology Arrangements (SBITAs) ...**

Sub Committee: Lease Capitalization Threshold — Direction we are heading

- Accounting Manual will point out: Capitalization thresholds aren't expected to change frequently from year to year.
 - Accounting guidance: Excluded leases should not impact the financials.
 - Accounting guidance: In situations where the district has a large number of small leases, the districts should consider disclosure in the event the cumulative amount becomes significant (greater than trivial) in the aggregate.
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- **Questions, Thoughts, Comments, Observations?**

SDAAC Sub Committee: Modifications to F-195 Programming

- First Meeting TBD
- Need F-195 and the F-200 EDS Systems to Roll Over
- Current Volunteers: Jason Williams, Michelle Matakas, Lee Wlazlak, Travis Belisle; Paul Stone, Melissa Jarmon;
- Other Volunteers?

SDAAC Sub Committee: Modifications to F-195 Programming

- Review and Research F-195 Programming — Input Flexibility around Levy Amounts — F-195 roll back issues — Levy percentages on the forms — More freedom to input amounts to Revenue Code 1100.
- Add line for Levy Reduction Amount when Districts have exceeded current Budget Authority
- Review Budget Form GF 14 — Long Term Financing — Conditional Sales Contracts — In relation to RCW 28A.335.170

Discussion, Feedback, Comments, Questions?

SDAAC Sub Committee: Indirect Rate Rule Changes

- First Meeting TBD
- Current Group: Michelle Matakas, Paul Stone, Amy Harris, Mike Sando, Ryan Montgomery, Holly Burlingame
- This is a first discussion on modifying and capping the Federal Indirect Rates
- Constraints are needed
- Other States use maximum caps authorized by the Feds
- OSPI is fact finding

SDAAC Sub Committee: Indirect Rate Rule Changes

- May rewrite WAC 392-122-900(3)(c) to include a new rule for a maximum allowable state recovery rate.
- May rewrite the WAC and eliminate the current recovery rate methodology and use the Federal Unrestricted Indirect Rate.
- Other Volunteers?
- **Discussion, Comments, Questions about Indirect Rates?**

Other Old or New Business

- Any Additional Topics for Discussion?
- What did I forget to add to the Discussion?

Updated SDAAC Meeting Schedule

Thursday, October 12	9-11 am	OSPI Video-Conference	Regular Committee Meeting
Friday, November 17	CANCELLED		
Wednesday, December 13	9-11 am	OSPI Video-Conference	Regular Committee Meeting
Tuesday, January 23	9-10:30 am	OSPI Video-Conference	Regular Committee Meeting
Wednesday, March 13	9-11 am	OSPI Video-Conference	Regular Committee Meeting

Final Thoughts

The next meeting is scheduled for Wednesday, December 13th.

OSPI will host an In-Person; and Broadcast the meeting via Zoom or through another media platform.

If you have taken notes of today's meeting, I would appreciate having a copy. Your notes help as a reminder of items discussed.

Thank you for participating.



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OSPI | SDAAC | Meeting | October 2023 | 22



Additional Information on Topics Presented

In-Lieu of (Text)

- Per [WAC 392-141-350](#), allowable Program 99 costs for in-lieu of pupil transportation services are the in-lieu of miles driven, multiplied by the state mileage rate.
- Other types of arrangements to reimburse vendors, parents, guardians, or adult students with fuel or other forms of reimbursement are not allowable charges to Program 99.

In-Lieu of (Text)

- District's may arrange for student transportation in their own fashion and create contractual obligations for those services.
- However, the only allowable cost to Program 99 for these In-Lieu Of student transportation contractual obligations is based on mileage reimbursement rate as described in the WAC.
- Any vendor charges exceeding the mileage reimbursement rate cannot be charged to Program 99.

E-Rate Program (Extra Notes)

- In the case of the E-Rate program, an award is made in the form of a Funding Commitment Decision Letter.
- Non-Federal entities that receive E-Rate funding commitments are recipients of a Federal award regardless of whether the non-Federal entity also chooses to receive a direct reimbursement against the commitment or has its service provider seek reimbursement on its behalf.
- Participants may be subject to program compliance audits through USAC
- USAC conducts these audits with FCC oversight.

State Recovery Rate (Rule in WAC)

- WAC 392-122-900(3)(c)
- (i) Divide direct expenditures for program 97 district-wide support by;
- (ii) Total general fund direct expenditures for all programs minus direct expenditures for program 97 district-wide support; and
- (iii) Round to three decimal places.

One Proposal

- (iv) The maximum allowable state recovery rate shall not exceed ## percent.

Calculate PV of a Lease: (extra slide)

Based on GASB 87 or by RCW Duration

Calculation of the Lease Liability

- The lessee should initially measure the lease liability at the present value of payments expected to be made during the **lease term**.
- **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...**

RCW 28A.335.170 Contracts to lease

The board of directors of any school district may enter into contracts...

- (1) To rent or lease building space and portable buildings **for periods not exceeding ten years** in duration;
- (2) To rent security systems, computers, and other equipment or to have maintained and repaired security systems, computers, and other equipment **for periods not exceeding five years** in duration;

