



## 2024–25 School District Accounting Manual Addendum #2 – (250523 Gov Delivery)

Good afternoon,

The purpose of this GovDelivery notice is to advise school districts of an addendum to the Accounting Manual for Public School Districts in the State of Washington (Accounting Manual). The effective date of this addendum is September 2024, and the changes are applicable to the school district fiscal year beginning September 1, 2024.

### 2024–25 SCHOOL DISTRICT ACCOUNTING MANUAL ADDENDUM #2

#### CHAPTER 2 – Budgeting — Changes

**In Chapter 2, Page 2-2:** The annual schedule for budgeting is included.

##### Annual Schedule for Budgeting

The annual schedule for budgeting is available on OSPI's School Apportionment and Financial Services (SAFS) webpage in the Administrative, Budgeting, and Financial Reporting ([ABFR](#)) [Guidance](#).

#### CHAPTER 3 – Accounting Guidelines — Changes

**In Chapter 3, Page 3-13:** An exception is noted in the section **Revenue versus Contra-Expenditure Recognition** related to insurance recoveries. The following is an excerpt of the chapter section.

##### Revenue Versus Contra-Expenditure Recognition

For financial reporting purposes, revenues and expenditures should be presented on the gross versus net basis because the measurement focus is on the flow of current financial resources.

Insurance recoveries related to storm clean-up are an exception to the general rule. When an insurance recovery related to an impairment loss or storm cleanup is measurable and available ***in the same year as the related cleanup expenditures***, it should be netted against those

expenditures; (crediting the GL 530 expenditure account). However, insurance recoveries related to cleanups which are recognized in subsequent periods should be reported as other financing sources (crediting GL 965, resource 9400). Refer to resource code 9400 – Insurance Recoveries for additional guidance.

**In Chapter 3, Page 3-17:** The chapter section titled **Warrants** is revised and a section deleted. HB 1419—2023-24, modified the duties of the County Treasurers, impacting local governments. The following is deleted from the Accounting Manual.

- ~~Endorses "interest-bearing warrant" on the face of such warrants, pays out the interest on interest-bearing warrants, enters the interest paid out in the warrant register, and makes warrant calls when there are funds to redeem such warrants (RCW 36.29.010 through 36.29.060).~~

**In Chapter 3, Page 3-60:** The chapter section titled **Interfund Loans** is revised. School Districts that are placed on binding conditions are allowed to borrow from the Transportation Vehicle Fund.

## Interfund Loans

Interfund loans are authorized (WAC 392-123-135 through 160), when approved by resolution by the school district board of directors as required, subject to the following:

- For School Districts on binding conditions and subject to additional approval from OSPI related to the binding conditions, loans are allowable from the Transportation Vehicle Fund to specific funds:

FROM:  
Transportation Vehicle Fund (TVF)

TO:  
General Fund (GF)  
Capital Projects Fund (CPF)  
Debt Service Fund (DSF)

- Loans cannot be made from the ASB Fund or the Debt Service Fund. Loans cannot be made from the Transportation Vehicle Fund except as noted above. Loans cannot be made to the ASB Fund.

**In Chapter 3, Page 3-65:** The chapter section titled **Crediting Investment Earnings** is revised.

## Crediting Investment Earnings

When authorized by the board of directors, any interest or earnings on investments being credited to a fund different from that which earned the interest or earnings shall only be

expended for instructional supplies, equipment, or capital outlay purposes as long as it is not restricted or prohibited by another statute (RCW 28A.320.320).

The authority of the Board of Directors to inure undedicated investment earnings to another fund extends to transferring previously deposited interest earnings to another fund. The same prohibitions and use restrictions described in RCW 28A.320.320 apply to those resources transferred to another fund.

In making all such transfers, the Board of Directors must pass a resolution authorizing the transfer which clearly indicates that the transferred investment earnings are not required for use within the next fiscal year in the fund where the interest was earned.

Citations which prohibit crediting or transferring interest earnings include, but are not limited to:

- RCW 28A.160.130 does not permit transfer of funds from the transportation fund to any other fund.
- WAC 392-123-150 requires that interest payments on interfund loans be credited to the loaning fund and shall not be transferred to any other fund.
- RCW 28A.325.030 requires that all moneys generated through the programs and activities of any Associated Student Body be deposited in the Associated Student Body program fund.
  - It allows investment for the sole benefit of the Associated Student Body program fund.
- RCW 28A.530.030 and RCW 28A.320.330 require moneys from bonds issued and sold be deposited to the Capital Projects Fund where they and interest earnings on them be used only for capital purposes under RCW 28A.530.010 or be deposited to the Debt Service Fund.
  - In either the Capital Projects Fund or the Debt Service Fund, only the interest on bond interest, not the bond interest itself, would be eligible for credit to another fund for uses described above.

## CHAPTER 4 – General Ledger Accounts — Changes

**In Chapter 4, Page 4-14:** General Ledger code 350, Interfund Loans Receivable is revised to allow school districts on binding conditions to borrow from the Transportation Vehicle Fund with approval from OSPI. The TVF is an applicable fund.

### **350\* Interfund Loans Receivable**

Applicable Fund: (GF, CPF, TVF)

This account is used to record temporary advances or loans to other funds. School Districts on binding conditions may borrow from the Transportation Vehicle Fund with approval from OSPI.

- Debit with advances or loans to other funds.
- Credit with repayment of advances or loans. (Contra entry: debit Account 240 Cash on Deposit with County Treasurer.)

(Reference: Chapter 392-123 WAC.)

## Chapter 5 – Revenues and Other Financing Sources — Changes

**In Chapter 5, on page 5-19 and page 5-69:** Revenue Code 2800 is renamed Judgements and Settlements and Revenue Code 9400 is renamed Insurance Recoveries.

Previously, insurance recoveries were reported as either: Revenue (2800) or Revenue (9400). The previous classification was dependent on whether the insurance recovery was related to a capital asset. Recognizing insurance recoveries as a local resource (**GL 960**, Rev 2800) is not consistent with GASB 42 Par. 21 and Par. 22, which directs governments to report insurance recoveries as an Other Financing Source (**GL 965**, Rev 9400).

### 2800 Judgements and Settlements

Applicable Fund: (GFL, CPF, TVF)

Record revenue from claims for damages incurred by the district. Include revenue from legal judgements and other non-insurance settlements.

Refer to Revenue Account 2600 for administrative fines for damages in accordance with RCW 28A.635.060.

Refer to Revenue Account 9400 for insurance recoveries and claims related to insurable losses.

### 9400 Insurance Recoveries

Applicable Fund: (GFL, CPF, TVF)

- Include all insurance recoveries that apply to any loss covered by insurance, whether or not the policyholder is the district.
- Insurance recoveries related to an impairment loss or storm cleanup and are measurable and available, *in the same year as the related cleanup expenditures should be netted against those expenditures; (crediting the GL 530 expenditure account).*
- Insurance recoveries related to cleanup and are recognized in subsequent periods should be reported as other financing sources or extraordinary items, as appropriate.
- FEMA grants are not insurance recoveries and should be accounted for as direct/indirect federal awards.
- Include payments related to L&I workers compensation insurance.

Experience rating credits and other rebates should be accounted for as reimbursements; (crediting the GL 530 expenditure account).

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## Appendix B – Additional Accounting Guidance — Changes

**In Appendix B, Page B-24:** General guidelines outline a process to estimate the compensated absences liability under the requirements provided in GASBS 101.

### General Guidelines to Estimate the Compensated Absence Liability

There are various ways a school district may calculate the compensated absences liability. Your individual approach may be different from the approach we illustrate below.

One method to calculate the liability is illustrated below. When completed, the liability is reported in the F-196 annual financial statement on the Schedule of Long-Term Liabilities.

#### On the Schedule of Long-Term Liabilities:

- The net change in the liability should be reported as either an increase or a decrease.
- Districts will also need to calculate the portion of the liability to report in the “due within one year” column.
- In the year of implementation, the beginning balance for Compensated Absences will need to be recalculated using the new GASB 101 criteria.

#### Other Considerations:

- Changes in accounting principles are reported retroactively, and this will need to be disclosed in the Notes to the Financial Statements.
- Districts may create their own process to estimate the liability, but any methodology should include a historical analysis of past leave practices and estimates that use a “more likely than not” (MLTN = 50% or more) threshold to classify data.
- Retaining documentation of your process is required. This will be critical for audit purposes.
  - How you calculated the estimates
  - Information/data sources used to develop estimates

#### The Historical Analysis of Past Leave Practices:

To estimate the compensated absence liability and to classify it appropriately on the Schedule of Long-Term Liabilities requires a review of school district leave policies and how employees utilized leave in the past (GASBS 101, ¶12). The prior year review provides information intended to classify the leave data by how it was “consumed” or removed from the books. This analysis requires a multiple year review to classify the data as more likely than not (MLTN) to be consumed in a particular fashion. All the various types of leave must be reviewed. The review creates an average annual usage pattern and becomes a product for the liability amount due in one year.

- To recalculate your 2024–25 beginning liability, you need to analyze the past 3-year's data:
  - Fiscal years 2021–22; 2022–23; and 2023–24.
- Analyze the past 4-year's data to calculate your 2024–25 ending liability.
  - Fiscal years 2021–22; 2022–23; 2023–24, and the current 2024–25 data.
- In future years, the historical analysis will be a review of at least the past 5-year's data.
- All the various types of compensated absences (i.e. vacation leave) should be analyzed to estimate the liability and amounts due in one year.

### **Compensated Absences (Other than Sick Leave) That Has Not Been Used**

Vacation leave balances are most often fully compensated through paid time off or some other means, such as cash payments at termination or retirement. Consequently, a liability for vacation leave is accrued at fiscal year-end for the paid time taken by the employee in subsequent years. The vacation leave liability should be valued using current salary rates in effect at the balance sheet date. The liability should also reflect certain salary-related payments directly and incrementally associated with the leave (GASBS 101, ¶23–¶26). The calculation to determine the liability is generally straight forward and the review of historical data is used to estimate the amount due in one year.

Each district must review their leave policies and include other applicable forms of compensated absences that meet the criteria. District policies may exclude forms of leave if vesting or probationary periods are applicable. Please review the guidance in the sections above and follow the district's leave policies to determine and calculate amounts.

### **Sick Leave That Has Not Been Used**

The remainder of the guidance below is specific to calculating the sick leave portion of the compensated absences liability. The figures used are for illustrative purposes only.

### **An Approach to Calculate Sick Leave That Has Not Been Used**

Several factors determine the accrued value of the future sick leave liability. In general terms: sick leave to be used is accrued at 100% of its value, (SLU = 100% Liability); sick leave cashed out is accrued at 25% of its value, (SLCO = 25% Liability); and sick leave forfeited or transferred out is accrued at 0% of its value, (SLF = 0% Liability).

The guidance provided in this appendix illustrates these common sick leave variables, but every district must follow its own leave policies and how leave is valued.

For sick leave, the analysis of your historical data is a review of how many hours of sick leave came off the books, on average, on an annual basis. In this illustration, we are segregating sick leave consumed by the variables and show the accrual rates.

The variables are:

- Sick Leave Hours Used (SLU) = 100% Liability
- Sick Leave Hours Cashed Out (SLCO) = 25% Liability
- Sick Leave Hours Forfeited/Transferred Out (SLF) = 0% Liability

For the purposes of the illustration, the district analyzed historical data. The average annual sick leave hours consumed are determined to be 55,663. The analysis also determined how the hours consumed are segregated by the variables. In this illustration, average hours are assigned to each of the variables.

<b>Historical Sick Leave Analysis Example</b>			
Average annual number of sick leave hours consumed	(Total)	55,663	100.00%
Average number of sick leave hours forfeited	(SLF)	3,014	5.41%
Average number of hours converted or cashed out	(SLCO)	7,112	12.78%
Average number of hours used as normal sick leave	(SLU)	45,537	81.81%

The average annual sick leave hours consumed is 100%. For the illustration, the variables are given a more likely than not (MLTN) percentage of how the sick leave hours were consumed, on average, each year.

- 81.81% of the leave consumed is SLU → = 100% Liability
  - 12.78% of the leave consumed is SLCO → = 25% Liability
  - 5.41% of the leave consumed is SLF → = 0% Liability
- 100.00%

During the end-of-year process, the employee sick leave balance report is generated. This report should be run before future leave posts in the system. The leave report provides:

- Total number of active employees and their pay rates
- Total sick leave hours
- Total sick leave value

For this illustration, the report shows the district has 697 active employees; the total sick leave hours and the total value is displayed. The average rate of pay is then determined.

<b>Employee Sick Leave Balance Report</b>			
Total Active Employees	Total Sick Leave Hours	Total Sick Leave Value	Average Rate of Pay (Σ EE hourly rates / #EEs) ♣
697	180,450	\$8,296,400	\$ 48.45 ♥

- ♣ The liability recognized should be measured using the employees' pay rates as of the date of the financial statements. (GASBS 101, ¶16). An average hourly rate of pay for all employees can be calculated by:
  - The sum of all employees' hourly rates of pay ♥ ÷
  - The total number of employees

- ♥ The measurement for the average hourly rate of pay should include salary-related payments that are directly and incrementally associated with the leave (GASBS 101, 123—126).
  - **Note:** The average hourly rate of pay may be different for SLU versus SLCO because the salary-related payments, directly and incrementally associated with the leave could be different.
- School district business managers are encouraged to use their professional judgement to determine and document the methodology they utilize to determine the average hourly rate of pay used to estimate the liability.
  - The table illustrates the findings of the historical analysis, including the average hourly rate determined from the sick leave balance report using the average rate of pay method. In our example illustration, the average hourly rate of pay is different for SLCO because the salary-related payments, directly and incrementally associated with SLCO is less than those for SLU.

The result provides the sick leave liability amount due in one year.

<b>Sick Leave Amount Due in One Year</b>					
Sick Leave	Average Annual Hours	Percent of Annual Hours	Average Rate of Pay ♣ ♥	Accrual Rate	Accrual Amount
SLF	3,014	5.41%	\$48.45	0%	\$ 0.00
SLCO	7,112	12.78%	\$46.95	25%	\$ 83,477
SLU	45,537	81.81%	\$48.45	100%	\$2,206,268
Totals	55,663	100.00%			
Sick Leave Amount Due in One Year					<b>\$2,289,745</b>
Average Hours * Average Rate of Pay * Accrual Rate = Accrual Amount					

If the number of sick leave hours earned on the end-of-year report are greater than the average annual sick leave usage, then the residual hours are a long-term liability, and this value needs to be estimated. In our illustration, the total sick leave hours on the end-of-year report are 180,450. The annual usage was 55,663 leaving a residual of 124,787 hours.

<b>Breakdown of Sick Leave Hours</b>	
Total Hours on Sick Leave Balance Report	180,450
Average Sick Leave Hours Consumed in One Year	55,663
Residual Sick Leave Hours	124,787



The illustration below shows the calculation for the residual accrued sick leave. For the residual sick leave hours, the MLTN percentages determined in the historical analysis are consistently applied in future years.

The MLTN percentages are used to determine the proportionate share of the residual sick leave hours applied to the variables. The proportionate hours are multiplied by the average rate of pay and the accrual rate to determine the accrual amount.

<b>Residual Long-Term Sick Leave Liability</b>					
	Percentages Applied to Variables	Proportionate Share of Residual Hours	Average Rate of Pay ♣ ♥	Accrual Rate	Accrual Amount
SLF	5.41%	6,757	\$48.45	0%	\$ 0.00
SLCO	12.78%	15,944	\$46.95	25%	\$ 187,141
SLU	81.81%	102,086	\$48.45	100%	\$4,946,078
Totals	100.00%	124,787			<b>\$5,133,219</b>
The Residual Long-Term Sick Leave Liability					<b>\$5,133,219</b>
The Sick Leave Amount Due in One Year					<b>\$2,289,745</b>
Total Compensated Absences Liability — Sick Leave					<b>\$7,422,964</b>

The sick leave portion of the compensated absences liability is illustrated below on the Schedule of Long-Term Liabilities. The Beginning Balance amount of \$7,265,245 represents the adjusted calculation (the restatement) of the prior year ending liability using the methodology described above. The \$157,719 reported as an addition is the difference between the beginning and ending liability amount. The difference between the beginning and ending liability is reported as a net change amount (GASBS 101 ¶130).

<b>On the Schedule of Long-Term Liabilities</b>				
Beginning Balance	Net Change		Ending Balance	Amount Due in One Year
	Additions	Deductions		
<b>\$7,265,245</b>	\$157,719	\$ -	<b>\$7,422,964</b>	<b>\$2,289,745</b>

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## Appendix C – Reference Materials — Changes

**In Appendix C, Page C-1:** The Administrative, Budgeting, and Financial Reporting (ABFR) guidance is included as reference material under Bulletins and Communications for School Districts.

### Bulletins and Communications for School Districts

- Administrative, Budgeting, and Financial Reporting [\(ABFR\) Guidance](#)
- Bulletins issued by the Office of Superintendent of Public Instruction (OSPI) are posted to the OSPI Web page at [Bulletins](#). You may also receive a copy by contacting School Financial Services, OSPI, at 360-725-6303. The agency TTY number is 360-664-3631.
- GovDelivery messages issued by OSPI to stakeholders and posted to relevant OSPI Web pages.
- The State Auditor's Office [Audit Connection Blog](#)

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