

# School District Accounting Advisory Committee

To review accounting guidance and prepare for changes  
to the 2022–23 School District Accounting Manual

July 21, 2022



# Meeting Agenda

OSPI Updates

SDAAC Updates

New OSPI Financial Reporting Tools

**2021-22 SDAM Addendum Document**

**2022–23 SDAM Revisions**

Executive Summary edits

Chapter 1 minor edit

Self Insurance edits

SBITA intro

Minor edit to Other Financing guidance

SBITA summary guidance

GL 716 edit

Delete Revenue 4171

CFDA to ALN edit

TVF Electric and Zero Emission Buses

Work in Progress: Fiduciary Reporting guidance

Work in Progress: GASB 94

# OSPI Updates

Maintenance of Equity update

# SDAAC Updates

## **We have new SDAAC members**

- Kris Grindy, Director of Business Services at Washougal School District
- [Kris.Grindy@washougalsd.org](mailto:Kris.Grindy@washougalsd.org)
- Kris replaces Becky Nissen who is retiring

Welcome Kris!

# SDAAC Updates

## **Also new to the SDAAC Committee:**

- Susan Pangilinan-Tiosejo, Senior System Analyst, WSIPC
- Susan replaces Sean Schaefer on the SDAAC Committee.
- [spangilinan@wsipc.org](mailto:spangilinan@wsipc.org)
  
- Welcome Susan!

# SDAAC Updates

- Jon Poolman has a new address:
  - Director of Fiscal Services at Mukilteo School District
  - [poolmanjj@mukilteo.wednet.edu](mailto:poolmanjj@mukilteo.wednet.edu)
- 
- An Updated Membership Roster is available on the OSPI Website at [Committees](#).

# SDAAC Updates

- In-Person SDAAC Meetings
- Survey said most folks like the virtual meeting.
- Eventually we will return to In-Person.
  
- When we return to “In-Person” it is very likely we will not provide virtual access.

# OSPI Financial Reporting Demonstration

- New Financial Data Reports being built and tested.
  - ***What do Stakeholder want to see?***
- Providing expenditure data to school level and NCES codes
- Isolate specific Programs, Activities, NCES, Location data
- Users can customize selections for analysis
- Multi-year trend analysis (2019-20; 2020-21; 2021-22...)
- Comparisons: [State to District]; [District to District]; [School to School]; [District to School]



# 2021-22 Accounting Manual Addendums

- The 2021–22 Accounting Manual Addendums were published in GovDelivery on June 23.
- The Addendums are posted to the 2021-22 Accounting Manual webpage at [GovDelivery Announcement 220622](#)

# Accounting Manual Changes

## **Introduction–Executive Summary**

Changes to Modified Accrual Financial Statement Audit Reports

Accounting and Auditing Requirements Contained in E2SSB 6362

- *We are removing executive signatures from the executive summary pages*

## **SDAAC Membership List**

- *Updated roster*
- **Any comments**

# Chapter 3: Unemployment Compensation, Self-Insured

- *Accounting for self-insurance activities are outlined in GASB 10 Par. 53-57.*
- *Governmental Fund statements should only report liabilities to be paid with current resources.*
- *A fund balance designation (committed, assigned, etc.) could be used to identify amounts set aside for self-insurance programs.*

# Chapter 3: Claims and Judgements

- *A clarification is added to Claims and Judgements to include self insurance.*

## Claims and Judgments

Filed and unfiled claims and other impairments of the district's assets should be recorded in the district's accounts or otherwise disclosed in the financial statements. Such claims may include:

- Job-related illness, injury to employees, workers' compensation claims, **including self insurance**.
- Unemployment compensation claims.
- Compensated absences, vested and accrued sick leave, and vacation time.
- Arbitrage rebate.
- Judgments and other damages.
- Auditor's exceptions and monetary findings.
- Acts of God.

# Chapter 3: Claims and Judgements

- *The degree of likelihood is **bolded**.*

The accounting treatment of claims and judgments is dependent upon the degree of likelihood that can be attributed to the occurrence of the event or events. If the likelihood is:

- **Probable**, where the future event(s) occurrence is likely. If the future event is probable and the amount can be reasonably estimated, then expenditure is made for the liability known and estimated (incurred but not reported), and a fund payable is recorded for amounts that would normally be liquidated with current financial resources. If the amount is one of a range, then the amount posted is the minimal most likely.
- **Reasonably possible**, where the change of the future event or events occurring is more than remote but less than likely. This situation would require a note disclosure using amounts as calculated above.
- **Remote**, where there is a slight chance of the future events occurring. This would not require any action on the part of the statement preparer.

# Chapter 3: Unemployment Compensation, Self-Insured

- *This section is updated:*

The school district will have to be certain that the ~~rate of accrual at which the expense is incurred will produce an estimated benefit payable~~ **amount set aside to finance potential future claims will be** sufficient to cover:

- Claims incurred and claimed but not paid
- Claims incurred but not claimed
- Claims not yet incurred but highly possible

If excess insurance is purchased, the cost of the insurance should be ~~charged to the benefit accrual~~ **considered**.

# Chapter 3: Unemployment Compensation, Self-Insured

- *This section is added:*

**The reporting of Unemployment Compensation activities on the balance sheet and resource flows statement must be consistent with the modified accrual basis of accounting. Refer to the accounting for *Claims and Judgements*. As such, the reported benefit payable liability must be probable, reasonably estimated, and normally liquidated with current financial resources.**

- *Since the accounting for claims and judgements applies to self-insurance activities (GASB 10), it makes sense to link them together to reduce duplicative info in the accounting manual.*

# Chapter 3: Workers' Compensation, Self-Insured

- *This section is added:*

**The reporting of Workers' Compensation activities on the balance sheet and resource flows statement must be consistent with the modified accrual basis of accounting. Refer to the accounting for *Claims and Judgements*. As such, the reported benefit payable liability must be probable, reasonably estimated, and normally liquidated with current financial resources.**

- *Since the accounting for claims and judgements applies to self-insurance activities (GASB 10), it makes sense to link them together to reduce duplicative info in the accounting manual.*



# Chapter 4: GL 716 Claims and Judgements—Long Term

- *This GL Account Code is modified:*

## **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 **(including self-insurance)**, unemployment compensation claims **(including self-insurance)**, judgments and damages, auditor's exceptions and monetary findings and acts of God.

# Chapter 4:

## GL 716 Claims and Judgements—Long Term

- *This GL Account Code is modified (**continued**):*

### **716 Claims and Judgements—Long Term**

- Applicable Fund: (SLTL)

**If a claim is asserted and the probable loss is reasonably estimable, the liability should be recognized. Incidents often occur before the end of the school year where claims are not reported or asserted when the financial statements are prepared. If an incurred but not reported (IBNR) loss can be reasonably estimated, and it is probable that a claim will be asserted, the liability should be recognized. Estimation of IBNR losses should be based on historical experience.**

~~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 reasonable estimated, a liability in the fund responsible should be recorded for amounts that would normally be liquidated with current financial resources.~~

# Chapter 3: Adding “SBITA” Bullet-Point

- *Adding the SBITA bullet-point to the Chapter section Short-Term and Long-Term Obligations on page 3-36:*

This section discusses accounting and budgeting for the following types of school district debt:

- Short-term obligations (Chapter 39.50 RCW)
- Conditional sales contracts for acquisition of property (RCW 28A.335.200)
- General obligation notes and bonds issued without vote of the people for the purchase of real and personal property (RCW 28A.530.080)
- Leases (RCW 28A.335.170)
- **Subscription-based Information Technology Arrangements (SBITAs)**

# Chapter 3: Page 3-41

- *Clarifying the Initial Expenditure in Nonvoted Debt Financing*
- Financing through the use of a long-term conditional sales contract requires the school district recognize the expenditure **(debit Account 530), Program 97, Activity 85 (Debt Service Expenditures)**, and an Other Financing Sources **(credit Account 965)** equal to the net present value of the minimum lease payments in governmental funds.

# 2022-23 Accounting Manual Revisions

- *Summary SBITA Guidance added near page 3-53*

## **GASB 96: Subscription-Based Information Technology Arrangements**

- To the extent relevant, the guidance for SBITAs is based on the standards established under GASB Statement 87—Leases and described in Chapter 3 of the *School District Accounting Manual*.
- *SBITA information is included in Chapter 3 below Leases.*

# SBITA – Summary Guidance Continues

- A SBITA is a contractual obligation that results in the right-to-use a subscription asset (an intangible asset) for a period of time greater than a year and the recognition of a long-term liability reported on the schedule of long-term liabilities.
- A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.
  - Accounting Software Providers



# SBITA – Summary Guidance Continues

- Along with the periodic subscription payments, the contractual obligation requires the recognition of an Other Financing Source for the initial subscription liability amount, including any implementation costs included in the SBITA contract.
- School districts should recognize the subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service.

# SBITA – Summary Guidance Continues

- The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term.
- Future subscription payments should be discounted using the interest rate the SBITA vendor charges the school district, which may be implicit, or the district's incremental borrowing rate if the interest rate is not readily determinable.
- School districts should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.



# SBITA – Summary Guidance Continues

- The subscription term includes the period during which a government has a noncancellable right to use the underlying IT assets.
- The subscription term also includes periods covered by an option to extend (if it is reasonably certain that the government or SBITA vendor will exercise that option) or to terminate (if it is reasonably certain that the government or SBITA vendor will not exercise that option).

# 2022-23 Accounting Manual Revisions

## Chapter 5 Revenue and Other Financing Sources

- **Revenue 4171 is Removed from the COA**

- The State no longer provides resources for Traffic Safety.

- ~~**4171 Traffic Safety Education—Inactive Account**~~

- ~~Applicable Fund: (GFS)~~

- ~~Effective FY 2002–03, state funding for traffic safety education is not currently being funded. Record revenue from OSPI for traffic safety education courses.~~

- ~~(Reference: RCW 28A.220.010 through 28A.220.900 and chapter 392-153 WAC.)~~

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# 2022-23 Accounting Manual Revisions

## Chapter 5 Revenue and Other Financing Sources

- *ALN narrative replaces CFDA narrative*

### Reporting Federal Assistance Listing Numbers (ALN)

- Assistance Listings Numbers (ALN) are related to federal programs and provide detailed public descriptions of grants and other types of assistance to school districts and other entities. Assistance Listing Numbers (ALN) were formerly referred to as the Catalog of Federal Domestic Assistance (CFDA) numbers. The ALNs are typically five-digits with a period between the second and third digits....



# Revisions to Chapter 10 – Transportation Vehicle Fund

## Electric and Zero Emission Buses

- *SHB 1644 modifies the TVF, allowing costs for electric and zero emission vehicles. This amends RCW 28A.160.130 (2)*
- (2) Funds in the transportation vehicle fund may be used for the following purposes:
- (d) To complete a feasibility plan to transition from gas or diesel pupil transportation vehicles to electric or zero emission pupil transportation vehicles;
  - (e) Purchase, installation, and repair of electric pupil transportation vehicle charging stations and other zero emission pupil transportation vehicle fueling stations and for other costs necessary for station installation; and
  - (f) Converting or repowering existing gas or diesel pupil transportation vehicles to electric or zero emission pupil transportation vehicles

# Getting Green in TVF

- *TYPE CODE 34 is Modified:*

## ***34 Transportation Equipment and Major Repair***

- Record expenditures for major repairs to school buses in accordance with WAC 392-142-260. Major repairs require prior approval from the superintendent of public instruction. Also, **record expenditures for converting or repowering existing gas or diesel pupil transportation vehicles to electric or zero emission pupil transportation vehicles.** (RCW 28A.160.130)(2)(f).

# New TVF Type Codes

## ***New Type Code Classification added to the TVF***

- *TYPE CODE 40—ENERGY*

### ***43 Transportation Vehicle Energy Audits***

- Record expenditures associated with a feasibility plan to transition from gas or diesel pupil transportation vehicles to electric or zero emission pupil transportation vehicles. (RCW 28A.160.130).(2)(d)

### ***44 Transportation Equipment Capital Improvement***

- Record expenditures for the purchase, installation, and repair of electric pupil transportation vehicle charging stations and other zero emission pupil transportation vehicle fueling stations and for other costs necessary for station installation. (RCW 28A.160.130)(2)(e).



# Electric Vehicles Costs in Program 99

- **QUESTION:** Do we add NCES Code 7622 Electricity to Activity 52 Bus Operations?
- Electric Charging Stations for charging buses only.
- How are charging stations segregated from the meter?

# WIP: Accounting Guidance for Fiduciary Fund

## On the Statement of Changes in Fiduciary Net Position:

- ***Addition and Deduction line items*** on the financial statements are not described in the Accounting Manual. Consider describing the activities included in each line item to help ensure consistency. Specifically:
  - Rent or Lease Revenue
  - Refunds of Contributions
  - Administrative Expenses
- *Without clarification in the Accounting Manual, these line items could be confusing and potentially misleading.*
- ***Review the Revenue and Expenditure Internal Controls*** guidance in Chapter 12.
- ***Use a similar format to describe Fiduciary Fund "Additions" and "Deductions" and we will add sections to Chapter 13.***





# Other GASB Statements

- **GASB 94: Public-Private and Public-Public Partnerships**

- We need to assess how this guidance impacts schools.
- A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction.

# Final Thoughts

- Anything else for the good of the cause?
- If you took notes today and don't mind sharing, please send to: [paul.stone@k12.wa.us](mailto:paul.stone@k12.wa.us)
- The next SDAAC meeting is scheduled for Friday, October 7, 2022
- Potentially at a venue TBD or via Video Conferencing

Thank you for participating.



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