Washington Office of Superintendent of
PUBLIC INSTRUCTION

Accounting Manual for Educational Service Districts in the State of Washington

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Accounting Manual for Educational Service Districts in the State of Washington

2023

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Introduction—Background

The classified system of accounts presented herein was developed for the Educational Service Districts in Washington state by the Educational Service District (ESD) Fiscal Officers under the joint direction of the Superintendent of Public Instruction and the State Auditor. Authority for the ESD Accounting Manual is provided under RCW 43.09.200, RCW 28A.310.330, and WAC 392-125-010.

In all cases, the budgeting and accounting systems for ESDs shall be governed by generally accepted accounting principles modified where necessary by statute and/or rule. The accounting principles and procedures included in the manual represent basic minimums necessary for the achievement of ESD reporting objectives. It is intended the ESDs maintain detailed revenue and expenditure accounts as well as required periodic reports.

The purpose of this manual is to provide (1) uniform accounting and financial reporting to allow for meaningful use and comparison of financial data; (2) provide accounting instructions as a resource for ESDs; (3) furnish the means for effective budgetary control; and (4) provide a consistent framework for financial reporting to intended users, including ESD superintendents, board of directors, the state Legislature, the Superintendent of Public Instruction, and the general public.

ESD fiscal staff and representatives from the Office of Superintendent of Public Instruction meet regularly to make sure accounting guidance remains current and appropriate to meet the needs of intended users. Subsequent revisions of the manual reflect many of the applicable generally accepted accounting principles (GAAP) published by the Governmental Accounting Standards Board. Legal references provided in this edition are those in effect as of December 2022.

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CHAPTER 1 – PRINCIPLES OF ACCOUNTING

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INTRODUCTION

Several characteristics associated with governments have influenced the development of governmental accounting principles and practices:

- State law usually dictates the local government accounting policies and systems, may specify the type and frequency of financial statements, and usually defines the type and frequency of audits.
- Governments receive substantial financial inflows for both operating and capital purposes frequently subject to restrictions that prohibit or limit the use of the resources for other than the intended purpose.
- A government's authority to raise and expend money is based on the adoption of a budget that, by law, must balance. That is, the estimated revenues plus prior years' surpluses must be sufficient to cover the projected expenditures.
- The power to raise revenues and issue debt are restricted and generally defined by law.

Governmental accounting principles are not a complete and separate body of accounting principles but are part of the whole body of GAAP. The hierarchy of specific sources of GAAP applicable to state and local governments are:

- Officially established accounting principles—Governmental Accounting Standards Board (GASB) Statements [Category A][1].
- GASB Technical Bulletins; GASB Implementation Guides[2]; literature of the AICPA cleared by the GASB[3] [Category B]. Sources of nonauthoritative accounting literature include:
  - GASB Concepts Statements
  - Pronouncements and other literature of the Financial Accounting Standards Board (FASB), FASB Advisory Board, International Public Sector Accounting Standards Board, and International Accounting Standards Board, and AICPA literature not cleared by GASB
  - Practices widely recognized and prevalent in state and local government
  - Literature of other professional associations or regulatory agencies
  - Accounting textbooks, handbooks and articles

In evaluating the appropriateness of nonauthoritative sources, ESDs should consider the consistency of the guidance with GASB Concept Statements, the relevance of the guidance to particular circumstances, the specificity of the guidance, and the general recognition of the issuer or author as an authority.

[1]All GASB Interpretations issued and currently in effect as of June 15, 2020, are also considered as being included in Category A until otherwise altered, amended supplemented, revoked or superseded by subsequent GASB pronouncements.
[2]Authoritative material from GASB Implementation Guides is incorporated periodically into the Comprehensive Implementation Guide; when presented as the Comprehensive Implementation Guide, it retains its authoritative status.
[3]Such literature contains a statement that indicates it has been cleared by GASB in accordance with GASB's Rules of Procedures.

If the accounting treatment is not specified by the Category A or B authorities listed directly above, consider accounting principles for similar transactions or events within a source of Category A or B guidance unless the similar transaction is specifically prohibited; and then consider non-authoritative accounting literature from other sources as listed below, that does not contradict authoritative GAAP.

The following sections outline basic accounting principles for educational service districts (ESDs) in the state of Washington. In general, these principles are in accordance with generally accepted accounting principles (GAAP) as defined by the GASB. Items that are departures from GAAP are noted on the following pages. For educational service districts, this manual, as supplemented by printed GAAP materials, is to be the basis of accounting and reporting. Items or concepts that come from GAAP are presented in **bold** print. Further discussion of these principles and how they apply to educational service districts in the state of Washington is included in standard print. Guidance on shared services arrangements is also provided.

ACCOUNTING AND REPORTING CAPABILITIES

A governmental accounting system must make it possible both (a) to present fairly and with full disclosure the financial position and results of financial operations of the funds and account groups of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions. (GASB Cod. Sec. 1100.101. See also Sec. 1200, "Generally Accepted Accounting Principles and Legal Compliance.")

Generally accepted accounting principles are uniform standards of and guidelines to financial accounting and reporting. Adherence to GAAP ensures financial reports of all state and local governments—regardless of jurisdictional legal provisions and customs—contain the same types of financial statements and disclosures, for the same categories and types of funds and account groups, based on the same measurement and classification criteria. (GASB Cod. Sec. 1200.101.)

Local, state, and federal governments can affect the reporting requirements of educational service districts. Local ordinances providing specific requirements tend to be uncommon for educational service districts; the policies adopted by the board of directors generally act as a surrogate for such ordinances.

State laws and regulations govern the fiscal affairs of educational service districts. Educational service districts must be in full compliance with all legal requirements. Fair presentation dictates transactions be reported on a gross basis. Offsetting entries to accounts are not permitted, except for corrections of previous transactions. In Washington, educational service districts are required to file annual financial reports with the Office of Superintendent of Public Instruction (OSPI) and are required to use a particular chart of accounts. In addition, educational service districts are often required to report specific data (for example, on such things as salaries and equipment purchased) to demonstrate compliance with funding provisions. In addition, the federal government provides various grants that may be available to educational service districts for special programs that may have spending limitations and require special documentation. Much of the state legal guidance for educational service districts is found in Chapter 28A.310 of the Revised Code of Washington (RCW) and Chapters 392-107 and 392-125 of the Washington Administrative Code (WAC).

Educational service districts must ensure their accounting systems are capable of providing the information necessary to satisfy the requirements of the various governing agencies and funding sources. It is necessary for all educational service districts to provide comparable information to the OSPI to enable generation of statewide reports. This information is needed by the state Legislature, the National Center for Education Statistics, various sections of OSPI, and other state and federal agencies.

All educational service districts must prepare and submit to OSPI financial statements on Form F-185.

LEGAL COMPLIANCE

There shall be full compliance with all legal requirements. Where legal requirements are in conflict with generally accepted accounting principles (GAAP), legal requirements prevail. Conflicts shall not require maintaining two accounting systems. Rather, the accounting system will be maintained on a legal-compliance basis, but should include sufficient additional records to permit, but do not require, GAAP-based reporting. Therefore, the accounting system should make it possible both (1) to present fairly and with full disclosure the financial position and the results of financial operations in conformity with generally accepted accounting principles, and (2) to determine and demonstrate compliance with finance-related legal and contractual provisions.

FUND ACCOUNTING

Governmental accounting systems should be organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. (GASB Cod. Sec. 1100.102. See also Sec. 1300, "Fund Accounting.")

Because all governmental units receive financial resources that may be used only in accordance with restrictions established by law or by agreements with donors or grantors, their accounting systems must enable officials to demonstrate compliance with such restrictions. This need led to the development of the fund accounting concept as a control device.

Each fund must be accounted for in a separate self-balancing set of accounts for its assets, liabilities, equity, revenues, expenses, and transfers. This requirement refers to identification of accounts in the accounting records and does not necessarily extend to physical segregation of assets or liabilities. For example, it is not necessary to have a separate bank account for each fund unless required by law, bond indenture, or other reason. Likewise, governmental units using computerization and account coding techniques may treat these separate accounting entities as independent subcomponents of a unified accounting system. (GASB Cod. Sec. 1300.101.)

ESD accounting systems are organized and operated on a fund basis. A fund is a fiscal and accounting entity with a self-balancing set of accounts recording financial resources and related liabilities and residual equities or balances segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations. GAAP require governmental fund financial statements comprised of a balance sheet and statement of revenues, expenditures, and changes in fund balance. The ESD Annual Financial Report, OSPI Form F-185, contains these statements. The F-185, accompanying notes, and schedule of long-term debt are required by OSPI. ESDs desiring to prepare full GAAP statements or comprehensive annual financial reports (CAFRs) would need to prepare a Management's Discussion & Analysis (MD&A) section.

Other financial statements (such as a Statement of Net Position or Statement of Activities) would be necessary only if the ESD used governmental funds in addition to the other funds identified below.

Each fund entity is reported under the definitions of this section. The following fund types and funds are used by ESDs:

In addition, for purposes of comprehensive annual financial reports (CAFRs), certain fund entities, or components of fund entities, are presented as another fund type on the combined financial statements as explained below in the definitions of fund entities.

Types of Funds

Three categories of funds are used in governmental accounting, which are then subdivided into eleven fund types for accounting and financial reporting purposes. (GASB Cod. Sec. 1100.103. See also Sec. 1300, "Fund Accounting.")

Governmental Funds

General Fund

The General Fund for local governments is used to account for all financial resources except those required to be accounted for in another fund. (GASB Cod. Sec. 1100.103a(1). RCW 28A.310.370. See also Sec. 1300, "Fund Accounting.")

Under GAAP, a General Fund is a governmental fund type, accounted for on the modified accrual basis of accounting, for recording financial resources not recorded in a different fund.

Under RCW 28A.310.370, educational service districts are to use a general expense fund "where there shall be deposited such moneys as are allocated by the superintendent of public instruction [...] and other funds of the educational service district."

Educational service districts record their general expenses in the Operating Fund under the rules and guidance for proprietary funds under the accrual basis of accounting.

Debt Service Fund

Debt service funds account for the accumulation of resources for, and the payment of, long-term debt principal and interest. (GASB Cod. Sec. 1100.103a(4). See also Sec. 1300, "Fund Accounting.")

Educational service districts lack the statutory authority to create a debt service fund. Any accumulation of resources for the payment of principal and interest on long-term debt, as well as the payments themselves, shall be accounted for in the Operating Fund of the educational service district.

Proprietary Fund Types

Proprietary funds focus on determining operating income, changes in net position (i.e., cost recovery), financial position, and cash flows. There are two types of proprietary funds: enterprise funds and internal service funds.

Enterprise Funds

Enterprise Funds account for operations (a) financed and operated in a manner similar to private business enterprises—where the intent of the governing body is the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. (GASB Cod. Sec. 1100.103b(1). See also Sec. 1300, "Fund Accounting.")

The following are enterprise fund types used by ESDs:

- Operating Fund—to account for all financial resources except those required to be accounted for in another fund. Required for all ESDs.
- Employee Health Benefits Fund—to account for the activities of operating health benefits plans.
- Insurance Fund—to account for property liability, errors and omissions liability, and other self-insurance plans.
- Unemployment Compensation Fund—to account for the activities of the unemployment insurance cooperative.

- Worker's Compensation Fund—to account for the activities of the workers' compensation self-insurance plans.

Enterprise funds *may* be used to report activities where a fee is charged to external users for goods or services. GAAP ***require*** enterprise funds to be used for any activity whose ***principal*** revenue sources meet any of the following:

- Debt is backed *solely* by fees and charges.
- There is a legal requirement to recover cost. Cost means *all direct costs*; recovery of specific percentage of cost or exclusion of *any* direct costs nullifies the requirement.
- A policy decision has been made to recover costs. Cost means *all direct costs*; recovery of specific percentage of cost or exclusion of *any* direct costs nullifies the requirement.

Internal Service Funds

Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis. (GASB Cod. Sec. 1100.103b(2). See also Sec. 1300, "Fund Accounting.")

Educational service districts currently lack the authority to create an Internal Service Fund. Activities typically accounted for in an Internal Service Fund are accounted for in the Operating Fund instead; as shared central service cost pools under program 02.

Fiduciary Activity

Fiduciary Trust Funds

Fiduciary Funds are used to account for resources in situations where the government is acting as a trustee or agent for parties outside the government. Fiduciary Funds *cannot* be used to support the government's own programs. The Fiduciary fund category includes Pension (and Other Employee benefits) Trust Funds, Investment Trust Funds, Private-Purpose Trust Funds, and Custodial Funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

Private-Purpose Trust Funds

Private-purpose trust funds are used to report all fiduciary activities *not* required to be reported in pension (and other employee benefits) trust funds and are held in a trust in which the assets are:

- Administered through a trust in which the government itself is *not* a beneficiary,
- Dedicated to providing benefits to recipients in accordance with the benefit terms, and
- Legally protected from the creditors of the government.

These funds are used to report trust arrangements where the income and principal benefits individuals, private organizations, or other governments. Examples are moneys or other assets donated to the educational service districts for scholarship, student aid, charitable, and other like uses. The authority to use the resources comes from the donor who specifies a use or range of allowed uses for assets to be held in trust and, accordingly, the ESD Board of Directors has the authority to determine the use of the assets only within the confines of the original trust agreement. For this reason, ESD boards are required to formalize by board resolution the acceptance of any moneys or other assets to be held in trust.

When established, the Private-Purpose Trust Fund will account for one or more individual trusts, so it will not be necessary to have several trust funds established in the district's accounting records. Thus, the balance of assets in the trust fund will consist of an aggregate of balances of individual trusts.

Custodial Funds

Beginning in 2020–21 and with the implementation of GASB Statement 84, the term Agency Fund is replaced with Custodial Funds. The GASB Board concluded the title *agency fund* often is confused with *agencies* of the government. The Board, therefore, established the custodial fund classification to address this issue.

Custodial funds are used to report fiduciary activities that are *not* required to be reported in pension (and other employee benefits) trust funds or private-purpose trust funds.

Custodial Funds differ from a Private Purpose Trust fund because there is no formal trust agreement. The ESD is acting in an agent capacity for some other organization, government, individual, or fund. They are used where the government's role is purely custodial, such as the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. The modified accrual basis of accounting is used to measure financial position.

Investment Trust Funds are used to account for the external portion of investment pools reported by the sponsoring government. They are not permitted in Washington state.

Pension and Other Employee Benefit Trust Funds are not reported by ESDs since Washington school districts and ESDs contribute to a multi-employer, cost-sharing statewide retirement systems managed by the Washington Department of Retirement Systems (DRS). Only districts that operate individual pension trust funds and *hold resources* in trust should report this type of trust. The DRS is a component of the state of Washington and, as such, its financial statements are included in the financial statements of the state of Washington.

Number of Funds

Governmental units should establish and maintain those funds required by law and sound financial administration. Only the minimum number of funds consistent with legal and operating requirements should be established, however, because unnecessary funds result in inflexibility, undue complexity, and inefficient financial administration. (GASB Cod. Sec. 1100.104. See also Section 1300, "Fund Accounting.")

ESDs shall establish and maintain those funds required. Only the minimum number of funds consistent with legal and operating requirements should be established, since unnecessary funds result in inflexibility, undue complexity, and inefficient financial administration.

ESDs do not have the legal authority to establish either a capital projects fund or a debt service fund. Such governmental funds are allowed by GAAP.

ACCOUNTING FOR CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

Capital assets are land, buildings, machinery, vehicles, furniture, and other equipment the educational service district intends to hold or continue to use over a long period of time. "Capital" denotes probability or intent to continue to use or possess and does not indicate immobility of an asset. Educational service districts have a responsibility to safeguard and control their assets. Capital assets for governmental funds are reported in the districtwide statements.

Valuation of Capital Assets

Capital assets should be accounted for at cost or, if the cost is not practicably determinable, at estimated cost. (GASB Cod. Sec. 1100.106. See also Sec. 1400, "Capital Assets.")

Donated Capital Assets

Governmental funds normally do not report *capital assets* or *donated capital assets* in the fund financial statements. If donated capital assets are material to a district's operations, the district should disclose the information in the Notes to the Financial Statement in the year the asset is donated. If an ESD intends to sell rather than keep donated capital assets, revenues may be reported if either of the following conditions is met:

- The asset is sold prior to the end of the fiscal year, and the proceeds of the sale are available; or
- The asset is sold (or the district has entered into a contract to sell the asset) prior to the issuance of the financial statements, and the proceeds or the sale are considered available.

If the proceeds of the sale are not considered available, a *receivable* and a liability for *deferred revenue* would be recognized in the appropriate governmental fund only at the time the ESD finally entered into a sales contract. Otherwise, the donated asset should be treated like a capital asset used in the government's operations until a sale occurs.

Donated Non-Capital Assets (Voluntary Nonexchange Transactions)

ESDs may receive donated cash or financial instruments. When this occurs, the recognition of revenue or deferred revenue is required when all eligibility requirements are met. Eligibility requirements include conditions or criteria and time period imposed by donors.

The Individual Capital Asset Record

An adequate capital asset accounting system ensures the educational service district will meet statutory requirements, produce records and reports, and properly guard assets. A policy on the dollar value at which capital assets will be included in the system is referred to as the "capitalization" policy. Consideration needs to be given to the uses of the system for insurance recoveries or other determinations of what is a permanent asset and what is a consumable.

The capital asset record contains the information necessary to identify each item or lot in the inventory and may include:

- A description of the property identifying the category of the asset (land, building, transportation vehicles, or equipment), including legal descriptions of real property and improvements.
- A serial number or other identification number or information.
- The source of property (purchased, constructed, or donated).
- The acquisition, completion, or donation date.
- Reference to a source document (voucher, invoice, construction contract, trust agreement, etc.).
- The acquisition or construction cost of assets or the estimated fair market value of donated assets or assets held by the ESD before the capital asset system was established.
- Documentation of who holds the title to the property.
- Source of the resources used for the acquisition (local, state, federal, or percentage of each).
- The location and condition of the property.
- Special insurance, maintenance, and repair instructions.
- Dates of physical inspections and physical inventories. Physical inventories are required for assets purchased with federal resources at least once every two years.
- Disposition information on assets removed from inventory (date of disposal and sales price, lost, stolen, or surplus).

Asset Cost

The original cost of an asset is referred to as the "historical cost." It is the amount paid to acquire an asset, including the price of the asset, related taxes, commissions, installation charges, consultant fees, architects, construction contractors, and any other costs related to acquiring the asset or preparing the asset for use. Expenditures that do not add to the utility of the asset should not be capitalized. Therefore, repairs to damaged equipment should be charged to an expenditure account and not entered in the capital asset record. Judgment should be exercised in determining which portions of the asset cost should be capitalized in the capital asset record.

Major repairs or improvements are capitalized. If the outlay adds to a capital asset or enhances the value of an integral part of it, the outlays should be capitalized. Thus, drainage to land, addition of a room to a building, and changes in equipment that increase its output or reduce its cost of operation are partial replacements and additions or betterments. For example, a composition roof is replaced with material that is more durable. To the extent the project replaces the roof, outlays should not be capitalized unless the cost of the old roof is removed from the accounts; to the extent the project provides a better roof, outlays should be capitalized. The distribution of total cost in such a case is largely a matter of managerial determination. Perhaps the best result might be obtained by crediting the appropriate asset account for the cost of the replaced part, thus removing the amount, and then debiting the asset account for the total cost of the replacing item.

Maintaining a Capital Asset System: Accounting

The ESD should adopt appropriate policies and procedures that will ensure assets that should be capitalized are properly recorded and records are adjusted when assets are disposed of or revalued. Standard data collection processes and periodic physical inventories ensure correct information is recorded in a reasonable time frame and provide a basis for reconciliation of accounting and inventory records.

Other than the acquisition and disposal of assets, other events that may require entries to the accounting system are location transfers, additional construction or demolition, and other improvements or changes in the physical appearance of the asset that should be reflected in its valuation. These adjustments should be recorded in the individual capital asset record. The internal control system should ensure transactions are noted and recorded. If adjustments are numerous, a capital assets journal may need to be maintained to accumulate the database necessary for adjusting the general ledger and individual asset records.

The capitalization policy of an ESD defines the dollar limits at which assets will be entered into the capital asset records and is established by the Board of Directors for the ESD. The policy should also consider treatment of capitalized leases; cost accumulation on self-constructed assets; control of small attractive assets that are not capitalized; and accounting for any infrastructure such as roadways, utility lines, etc. ESD personnel should be trained on the appropriate application of the capitalization policy to each acquired or disposed of tangible asset. Assets purchased with federal funds costing $5,000 or more must be, at a minimum, inventoried (similar to theft-sensitive equipment which may be below capital asset thresholds) to comply with federal requirements of 2 CFR Part 200.313.

Internal control and information flow regarding asset additions or deletions should ensure the individual responsible for maintaining the capital asset records is included in the cycle. Documents that may be required are receiving reports, invoices, lease agreements, progress billings on construction contracts, itemized work sheets of costs on self-constructed assets, board resolutions of declared surplus items, property insurance claims, etc.

Small attractive assets that are not capitalized, but to which the ESD desires to apply a security control, will need a similar internal control and information flow scheme.

When assets are transferred from locations or sites, or when they change internal ownership by fund type, the ESD should ensure these changes are communicated to the area responsible for the capital asset records.

Maintenance of the capital asset records implies several reconciliations and reports will be performed or generated.

- Reconcile physical inventory to individual capital asset records.
- Reconcile individual capital asset records to general ledger accounts for both asset and equity information.
- Reconcile capital outlay expenditures to total additions in capital assets.
- Analyze expenditure object details for additions to lists of noncapitalized assets.
- Reconcile significant capital grants shown on the grant inventory for governmental type funds with increases to the investment in capital asset accounts.
- Analyze proceeds from insurance claims and sales or auction lists, claim reports, etc., to total capital asset disposals.
- Reconcile capital assets transferred to other locations, custody, or fund account groups with assets transferred from the same.

Maintaining a Capital Asset System: Physical Inventory

A physical inventory of capital assets verified the existence and the condition of the asset (required every two years for assets purchased with federal sources). The inventory is useful in determining the value of the asset, both for market value and insurance claim processing.

Board policy and procedure should determine when inventory is to be taken, who conducts the inventory, and what training, skills, and knowledge the conductors of the inventory should have.

To conduct the inventory, the ESD should have a work plan based on ESD control over the inventory process with responsibility assigned for supervision of the process and training of the staff. The work plan may include pre-listings of existing asset records sorted by building, floor, room, or other location identifiers, or sorted by asset type. A systematic checklist approach should be employed to ensure locations are not missed or duplicated in the inventory process. Procedures should instruct the staff about processes to employ when locating assets that appear to meet the capitalization policy but do not appear on the prelists. Procedures should also include clear instructions on how to record observations about the condition of assets.

Internal control guidelines should be employed in determining who will conduct the inventory to ensure whoever has day-to-day custody of the asset is not the individual conducting the inventory. If the practical situation calls for the custodian of the asset to take the inventory, then the inventory results should be spot-checked for accuracy by the inventory supervisor.

Completed inventory records should be reconciled to the individual capital asset records. If the inventory process is conducted on a routine periodic basis, then the prelists would have been reasonably accurate and up-to-date, resulting in the reconciliation concerning itself with (1) identifying those assets that were not added to or deleted from the capital asset records at the time of their acquisition or disposal, and (2) investigating and making a final determination of assets not located. Other reconciliations mentioned in the prior section on accounting for capital assets might also need to be conducted as a result of the physical inventory.

Depreciation of Capital Assets

General guidelines regarding the recording of depreciation on capital assets are:

- Salvage value can be ignored in establishing the amount to depreciate, unless it is expected to exceed 10 percent of the original cost of the asset.
- Depreciation must be based on a reasonable estimate of the length of time the district expects to use the asset in its operations.
- An asset that is declared surplus or is held for possible future use is an investment and should not be depreciated.
- The amount of depreciation charged must be constant for each time period, called the straight-line depreciation method, or for each unit of service such as quantity of output, hours or miles of operation, etc.
- Depreciation must be based on the entire cost of the asset including any donated or contributed amounts.
- Assets may have components that will have an estimated useful life considerably shorter than the asset taken as a whole. Component depreciation for such assets may be much more accurate and simpler to maintain.
- When it is necessary to revise the estimates of useful life of an asset, such changes should be applied prospectively. The rate should be recalculated based on the remaining useful life at the time of the revision, and the new rate should be applied in the present and future accounting periods with no changes made to prior periods.

There are two different applications of group-life depreciation:

- One type is applied to assets of a similar nature acquired at about the same time. The group is treated as a single asset; any gain or loss upon disposal is deferred until the entire group has been retired. When items within the group are retired ahead of schedule, the original cost of that item is removed from both the asset account and the accumulated depreciation account. Depreciation continues to be charged on the remaining assets at the original rate. If some items within the group are subject to major repair, the periodic depreciation should be adjusted for the change in useful life and the new rate charged for the remaining life.
- The second type is applied to dissimilar assets related by the mode of operation in which they are used. The rate of depreciation is a weighted average of the rates applicable to the individual assets that comprise the group. This method is intended to eliminate gains and losses on asset retirements, except when an entire operating system or facility is retired from service.

Long-Term Liabilities

Long-term debt includes the unmatured principal of bonds, warrants, notes, and other forms of noncurrent or long-term indebtedness that have a maturity of at least one year from the financial statement date and are otherwise not defined as "current debt." Debt that matures in less than one year must be reported in the districtwide statements in the long-term liabilities section titled "Due within one year." The long-term portion is titled "Due in more than one year."

Educational service districts are limited in their ability to issue long-term liabilities. Per RCW 28A.310.200, an ESD may issue bonds or notes if the proceeds are used to acquire new real or personal property. In accordance with that statute, the property so acquired must be pledged as collateral for the obligation to be issued.

Lease Accounting guidance is provided in Chapter 2.

Donated Services

Payments of salaries and benefits made on behalf of the ESD's employees for services rendered to the ESD are required to be recorded as *revenues* and *expenses* in the fund receiving the services.

The Governmental Accounting, Auditing, and Financial Reporting (GAAFR) book ("Blue Book") recommends local governments & political subdivisions follow FASB Statement No. 116 for donated services by volunteers, because GASB is silent on this issue.

Per FASB Statement No. 116, the recognition of revenue and expenses are limited to those services material to the district's financial statements and meet one of the following criteria:

- The donated service creates or enhances nonfinancial assets (e.g., volunteer improvements to a capital asset); or
- The donated service requires specialized skills, is provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation (examples: accountants, architects, doctors, lawyers, etc.).

BOOKS OF ACCOUNT

Books of account for all ESDs shall be maintained on a double-entry basis with a general ledger in which all financial transactions are recorded in summary form.

The use of the double-entry system of accounting requires the installation and maintenance of books of original entry (general ledger, cash receipts journal, cash disbursements journal, encumbrances and liquidation register, payroll journal, voucher register—optional), and a general ledger and subsidiary ledgers for each control account contained in the general ledger.

General ledger accounts reflect in summary form the financial operations, while the subsidiary ledgers provide the details of the general ledger control accounts.

BASIS OF ACCOUNTING

Accrual accounting means:

- Revenues should be recorded in the period in which the goods or services are provided, although payment is received in a prior or subsequent period.
- Expenses should be recorded in the period in which the benefit is received, although payment may be made in a prior or subsequent period.

Accrual basis accounting is employed in business enterprises to obtain a matching of costs against the revenue paying for those costs, thereby producing a more useful income statement. In governmental entities, however, funds make use of revenue and expense accounts to promote efficiency of operation and to guard against impairment of ability to render the services desired.

Pursuant to RCW 28A.505.010, the following terms are defined:

- "Revenue" means an addition to assets of a fund during a fiscal period that is available to finance expenditures during that fiscal period. Revenue does not accompany the increase of liabilities or represent refunds of previous disbursements. Revenue may be in the form of cash or in the form of noncash assets such as donated commodities. Revenue is limited to amounts received in cash or noncash donations plus or minus adjustment for revenue accruals.
- "Accrual basis expenditures" means expenditures incurred during a given fiscal period, whether paid or unpaid.

- "Revenue accruals" means those revenues anticipated to be received in cash after the close of the fiscal period that represents reimbursement for expenditures incurred by the end of the fiscal period.

Revenue accruals are appropriate for revenues arising from unreimbursed expenditures that will be received in cash at some later time, although they are presently due. Revenues that can be accrued include:

- Categorical grant revenue for which expenditures have been made by payment has not been received.
- Payments from school districts that are due but are not collected by the end of the fiscal period.
- Rental or lease payments for which there are reasonable assurances of payment.

Expenditure accruals are appropriate whenever goods or services are received in one accounting period but not paid for until a subsequent accounting period. Typically, this happens when salaries are paid on the first of the month for services received in the previous month. Construction contracts are usually billed on the basis of percentage of completion. At the time of billing, the amounts are accrued and the amounts stay in accruals until paid. Most emphasis is placed on accruals at the financial statement date. At that time, it is appropriate to analyze all payables and monthly recurring charges to determine the accrual is proper. Goods and services received are accrued even though an invoice has not been received.

There are basically two ways of handling accruals and payment of invoices. The one depicted in the other sections of this manual and in the above paragraphs records expenditures and their associated liabilities (accruals) prior to payment. Then all payments reduce the liability. The other method records all payments during the year as expenditures. Then at year-end, or any financial statement date, the accruals are recorded.

STATEMENT OF NET POSITION

The statement of net position reports all financial and capital resources. GASB encourages a format displaying assets plus deferred outflows of resources less liabilities and deferred inflows of resources equals net position. Assets, deferred outflows, liabilities, and deferred inflows may be presented in order of relative liquidity (preferred) or on a classified basis that distinguishes between current and long-term assets and liabilities.

ASSETS

Assets are resources with present service capacity the government presently controls. (GASB Concept Statement 4, ¶8).

In the definition of an asset, the term "present service capacity" means the resource's current ability to enable the government to provide services. Not all assets need to be financially liquid. Non-liquid assets (such as buildings) provide the physical capacity for a government to provide a service. The term "presently controls" means the government has the ability to utilize the resource in its current capacity and to determine the nature and manner of use of the resource.

Capital assets are reported on the statement of net position at their historical cost net of accumulated depreciation. Historical cost includes ancillary charges necessary to place the assets into their intended location and condition for use. The assets are depreciated over their estimated useful lives using the straight-line method. The Office of Financial Management's (OFM) depreciation schedules applicable to ESD assets should be used as guidance.

LIABILITIES

Liabilities are present obligations to sacrifice resources the government has little or no discretion to avoid. (GASB Concept Statement 4, ¶17).

An obligation is defined as being a social, legal, or moral requirement, such as a duty, contract, or promise that compels one to follow or avoid a particular course of action. A present liability is one in which the event that created the liability has already taken place, resulting in the government's obligation to pay. Liabilities include accounts payable to pay vendors for the cost of equipment or other items, payroll amounts for workers that have earned wages or salaries, and so on.

ESDs are somewhat limited in the types of liabilities they may report. An ESD may only borrow money if the money is used for the acquisition of real or personal property, and the property acquired must be pledged as collateral. Other forms of borrowing, such as Revenue Anticipation Notes (RANs) or Tax Anticipation Notes (TANs) are not allowable for ESDs. The statute that allows these short-term obligations to be issued applies to municipal corporations, a term that does not include an educational service district.

RESOURCE FLOWS

Resource flows deal with the relationship between assets and liabilities of a government and the relative magnitude of each.

An *outflow* of resources is defined as being the consumption of net assets. This results either from a decrease in assets greater than the decrease in liabilities, or from an increase in liabilities greater than the increase in assets. The recording of an invoice as an account payable, before payment is made on the invoice, is an example of an outflow of resources.

An *inflow* of resources is defined as being an acquisition of net assets. This results either from an increase in assets greater than the increase in liabilities, or a decrease in liabilities greater than the decrease in assets. The recording of revenues received, or the recognition of revenue previously recorded as deferred revenue are both examples of inflows of resources.

Applicability to the Reporting Period

In the economic resources measurement focus of accounting (i.e., accrual accounting), the period in which a particular flow of resources (either outflow or inflow) is recognized should be based on the concept of interperiod equity. That is, the cost of services for a given period equals the inflow of resources during the same period. Similarly, accumulated net resources (i.e., fund balance) are not used to provide current-year services. It should be noted true interperiod equity is more of a relevant metric against which accountability may be measured, rather than a goal that has to be met for any particular period of time.

Deferred Flows of Resources

A deferred flow of resources, whether an outflow or inflow, is the flow of resources not applicable to the current period. Instead, these flows are applicable to a future reporting period. A deferred outflow of resources, then, is a consumption of net assets applicable to a future period and will represent the cost of providing services in that future period. A deferred inflow of resources is an acquisition of net assets applicable to a future period and will represent resources needed to perform services in that future period.

BUDGETING, BUDGETARY CONTROL, AND BUDGETARY REPORTING

Annual Budget(s)

Educational service districts in the state of Washington are required to adopt a budget for their Operating Fund, using the same basis of accounting as the financial statement presentation.

The Accounting System

The accounting system provides the basis for appropriate budgetary control. (GASB Cod. Sec. 1100.111b. See also Sec. 1700, "The Budget and Budgetary Accounting," and Sec. 2400, "Budgetary Reporting.")

Accounting systems for the Operating Fund should incorporate budgetary accounts. Only three general ledger control accounts are needed—Estimated Revenues, Appropriations, and Encumbrances—to provide appropriate budgetary control. All three must be supported by subsidiary ledger detail.

Budgetary detail accounts for revenue are required in both the budget and accounting systems and reports.

An appropriation is an authorization for the ESD to incur expenditures in the amounts specified in the ESD's budget for the fiscal year. In the state of Washington, by law, total appropriations may not exceed the sum of Estimated Revenues and the beginning Unrestricted Fund Balance. The resulting Unrestricted Fund Balance account, after recording Estimated Revenues and Appropriations, must have a zero or credit balance.

The use of an encumbrance accounting system as an element of control in formal budgetary integration is widespread in governments. Such a system acts as an early warning device by controlling expenditure commitments; the government thereby significantly reduces the opportunity to over-expend an appropriation. Encumbrances are defined in GASB Cod. Sec. 1700.128 as "commitments related to unperformed (executory) contracts for goods or services." They are not GAAP expenses or liabilities but represent the estimated amount of expenses ultimately to result if unperformed contracts in process are completed. When these commitments are realized, a liability is recognized for the goods and services received.

The accounting system shall make use of budgetary control over both revenues and expenditures for the Operating Fund. Budgetary comparisons should be included in the appropriate financial statements and schedules for the Operating Fund for which an annual budget has been adopted.

In accounting for operations, it is necessary to record both the authorized financial plan and budget and the actual results realized during the fiscal year. General ledger accounts have been provided to record the budget and any subsequent modifications. The accounts in this group are referred to hereafter as budgetary accounts and are a self-balance series of accounts. A control account will record the estimated revenues detailed in the budget. A control account for appropriations will record the amounts authorized for expenditure, as modified during the fiscal year. Details of estimated revenues and appropriations will be maintained in the subsidiary ledger accounts. Actual revenue and expenditures will not affect these accounts. Accounts are provided to reflect the assets and liabilities of an ESD and display the results of operations in terms of revenues, expenditures, and fund balance. Accounts have been provided to record the actual revenues. These accounts shall be maintained in subsidiary ledgers that will also show the estimated revenues and the balances to be realized.

Accounts for expenditures shall be maintained in a subsidiary ledger by programs, activities, and objects of expenditures and will reflect appropriations as modified by expenditures and encumbrances.

The budget schedule is set forth in RCW 28A.310.330 and WAC 392-125-030, as follows:

On or Before	Requirement
July 10	Final date for board to prepare budget. Immediately thereafter, publish notice of the completion of the budget as provided in WAC 392-125-020.
July 15	Copies of budget made available to interested citizens.
August 1	Final date for board in public hearing to fix and adopt the budget. (The maximum time for this hearing is two days.)
Conclusion of hearing	Board resolution to adopt budget (obtain signature of the chairperson of superintendent’s advisory committee).
August 3	Forward two properly signed copies of budget to superintendent of public instruction.
August 31	Superintendent revises, fixes, and approves the budget, then returns one copy to the district.

System of Accounts

The uniform system of accounts shall be used consistently throughout the budgeting, accounting, and reporting cycles. The uniform classification of accounts is provided in this manual. An explanation of the accounts has been included so there may be consistency in application.

The chart of accounts is extensive and represents an orderly means of classifying transactions. Only those accounts applicable by virtue of the particular situation or management technique must be used. Uniformity in accounts, code numbers, and terminology, as outlined herein, is anticipated in budgeting, accounting, and reporting.

Appropriation as a Prerequisite

An appropriation shall be a prerequisite for all expenditures. The Washington State Constitution, Article VIII, Section 4 requires an appropriation be available before a payment is made for any purpose. The chart of accounts is designed to provide for the accounting within appropriations. WAC 392-125-040 states "The budget as fixed and approved by the superintendent of public instruction shall constitute the appropriation from the general expense fund for an educational service district for the ensuing fiscal year."

Gross Basis for Expenditures and Revenues

Expenditure and revenue accounts shall be maintained on a gross basis. Offsetting entries to revenue and expenditure accounts are not permitted, except for corrections of previous entries. The maintenance of the accounts on this basis will give maximum information regarding the operations of an ESD for budgeting, accounting, and reporting purposes.

Budgeting

As an annual budget is a plan of operations for a fiscal year, budgetary appropriations shall lapse at the close of each fiscal year.

Receivables

Control over receivables shall be maintained.

Direct Charging

Direct charging of expenditures is the charging to programs in the original recording of expenditures. All programs have designated activities and objects open for direct charging.

Operating Fund direct charges shall be transferred through the use of debit and credit transfers from certain production center programs to using programs. This is done to adequately reflect the acquisition of goods or services by the cost center program.

Costs predetermined to be charged on an indirect basis shall not be direct charged to operating programs or activities.

Inventory

Inventory accounting methods are to be determined by the circumstances in the educational service district. There are two problems that must be considered: (1) expenditure assignment and (2) timing of expenditures.

When using a central warehouse for handling inventory, it is necessary to process the expenditure of materials that have been stored and subsequently issued. In this instance, items are purchased for which the using program and activity is unknown and therefore expenditure coding is impossible at the time of purchase. Additionally, there may be a timing problem when items are received prior to the fiscal year in which they will be consumed.

When not using a central warehouse, the use of inventory accounts is optional. Coding of expenditures is possible since items are delivered directly to the using program and activity. There may be a problem with purchasing in one fiscal year for use in the next. If the amounts are materially changing from year to year, it will be advantageous to use the inventory accounts. If the amounts were not changing from year to year, the financial statements would not be materially misstated. Although the options exist in these circumstances, it is also important the method used be consistent from year to year.

Regardless of the method used to account for inventory, the educational service district must record its liability for all goods received by the end of the fiscal period.

Adjustments

Adjustments to routine transactions that arose in a previous year are to be recorded against current year revenues or expenditures. The accounting system presented in this manual was adopted to provide for the proper accounting of all ESD transactions. Therefore, adjustments to ending or beginning fund balances in the annual financial reports of ESDs shall be limited to prior year adjustments for the correction of material error or for change in accounting principle.

Reporting

Legal requirements are not necessarily identical with reporting requirements. An accounting system must be able to accommodate the difference between reporting requirements and legal requirements. The absence of a particular reporting requirement does not relieve the ESD from compliance with the corresponding legal requirement.

Where legal requirements are in conflict with GAAP, legal requirements shall prevail. Sufficient additional records should exist to satisfy GAAP reporting requirements. Records should exist to satisfy the reporting requirements of the primary users of ESD financial statements.

INTERFUND ACTIVITIES

Interfund activity is classified as reciprocal and nonreciprocal. Reciprocal interfund activity is the internal counterpart to exchange and exchange-like transactions and includes interfund loans and interfund services provided and used. Nonreciprocal interfund activity is the internal counterpart to nonexchange transactions and includes interfund transfers and interfund reimbursements.

GAAP establish two classes of interfund activity:

- ***Reciprocal interfund activity*** is the interfund equivalent of exchange and exchange-like transactions.
    - *Interfund loans* are amounts for which repayment is expected. They should be reported as interfund receivables to the lending fund and as interfund payables to the receiving fund. They should **not** be reported as other financing sources or uses in the fund financial statements. Interfund loans do not increase budget capacity. Appropriate interest shall be charged. After adoption of board resolution, WAC 392-125-140, loans are allowable

to the general expense fund and the enterprise fund. Loans shall not be made to the detriment of any function or project for which the fund was established. (Reference: WAC 392-125-100 through WAC 392-125-140.)
  - *Interfund services provided and used* are sales and purchases of goods and services between funds for a price comparable to their external exchange value. They are reported as revenues in the providing fund and expenditures in the receiving fund. Unpaid amounts are treated as interfund receivables or payables.
- ***Nonreciprocal interfund activity*** is the interfund equivalent of nonexchange transactions or transfers, previously known as "operating transfers" and "residual equity transfers."
  - *Interfund transfers* are defined as "flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment." They should be reported as other financing sources in the receiving fund and other financing uses in the providing fund.
  - *Interfund reimbursements* are repayments from a fund responsible for expenditures to the fund that initially made the disbursement. Reimbursements are treated as adjustments and **not** reported in the financial statements.

Interfund Loans

Interfund loans are authorized (WAC 392-125-100 through 140), when approved by resolution by the board of directors as required, subject to the following:

- The board of directors shall authorize the interfund loan by adopting a resolution stating the exact amount of the loan, the funds involved, the specific source of the repayment, the schedule for the repayment, and the interest rate involved.
- An interfund loan is considered to be a temporary loan of moneys between one district fund and another (WAC 392.125-110.)
- Loans shall not be made from any fund to the detriment of any function or project for which the fund was established.
- Interest shall be paid by the borrowing fund to the loaning fund and shall be at a rate not less than the warrant interest rate in the county in which the educational service district is located (WAC 392.125-120.)
- Financial reports of the district shall specify all outstanding interfund loans and all interest charges involved. The interfund loan shall not be used to balance the budget of the borrowing fund.

Interfund Services Provided and Used

Educational Service Districts engage in a variety of interfund services between funds. Examples of services provided and used include bus-trip charges and printing services. These transactions are sales and purchases of goods and services between funds for a price comparable to their external exchange value. They are reported as revenues in the providing fund and expenditures in the receiving fund. Unpaid amounts are treated as interfund receivables or payables.

Interfund Transfers

GAAP defines interfund transfers as "flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment." Residual equity transfers are no longer specifically named in GAAP but are a type of nonreciprocal interfund transfer. Interfund transfers are recorded as other financing uses in the fund making the transfer and other financing sources in the fund receiving the transfer. Residual equity transfers are included in this section and are allowed in situations when the transfer is justified by meeting certain criteria outlined as follows:

- Equity transfers are initiated by board resolution and occur when the purpose for which a fund was established no longer exists.
- All claims against the fund to be closed must be resolved before the authority to make the equity transfer is executed.
- All restrictions imposed on the use of resources remaining as residual equity within a fund must be resolved before the authority to make the equity transfer is executed.

Interfund Reimbursements

Interfund reimbursements are repayments from a fund responsible for expenditures to the fund that initially made the disbursement. Interfund reimbursements are **not** Interfund transfers. Interfund reimbursements are treated as adjustments and **not** reported in the financial statements.

A transaction would be reported as a reimbursement when:

- An accounting error has been made (e.g., moneys were deposited, or an expenditure was charged to an incorrect fund).

- When a single fund, usually the general fund, pays an invoice or payroll for other funds (i.e., as a convenience), and then charges back the expenditure to the appropriate fund where the cost should be reported.

SHARED SERVICE ARRANGEMENTS

A Shared Service Arrangement (SSA) is formed when two or more entities agree to join together and perform specific services. SSAs are also referred to as cooperatives or consortiums.

An SSA is not a separate legal entity, but may be governed by a legal document (i.e., an interlocal agreement). The legal document may describe the services to be furnished and address the provision of various administrative functions.

Numerous federal programs as well as many state-funded programs encourage, and in some instances require, school districts and educational service districts to be a part of an SSA. This additional nuance to SSAs requires the definition of some specific terms when involved in these arrangements.

Fiscal Agent: An entity empowered to handle fiscal matters for another entity, including disbursement or passing through of funds. This may include ensuring the funds are used only for specific purposes defined by the grant or agreement.

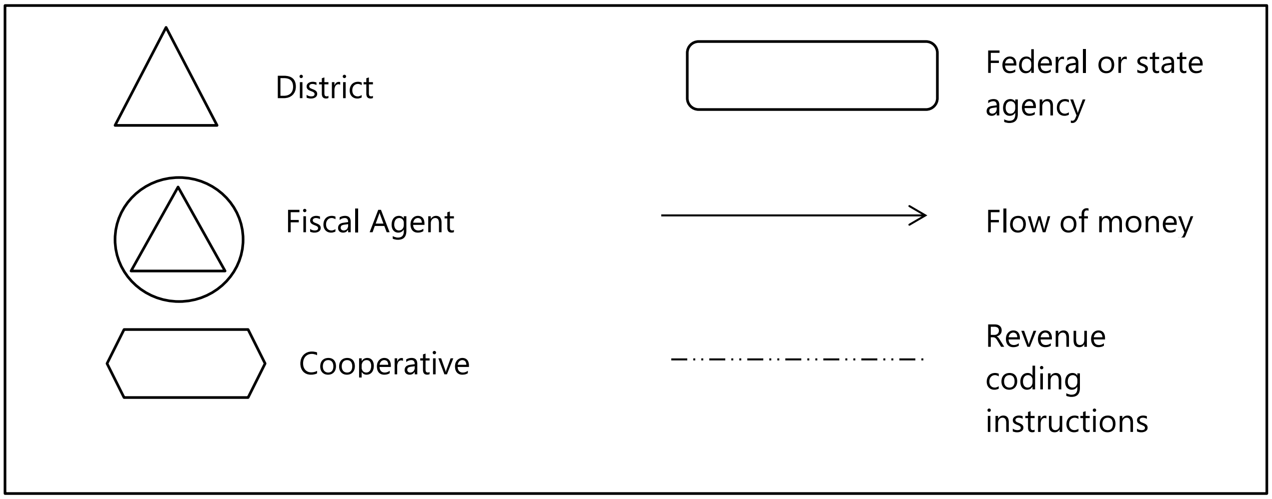
Sub-Recipient: An entity that expends grants or other financial assistance received from a fiscal agent or a pass-through entity.

Pass-Through Entity: An entity that provides grants or other financial assistance received by a governmental entity to transfer to or spend on behalf of a secondary recipient or sub-recipient.

Vendor: A dealer, distributor, merchant or other seller providing goods, or services required for the conduct of a federal or state program. These goods or services may be for an organization's own use or for the use of beneficiaries of the federal or state program. (For example, an ESD or school district that provides a service to another ESD or school district would be considered a "vendor.")

Funding Flow Charts for Shared Service Arrangements

Legend

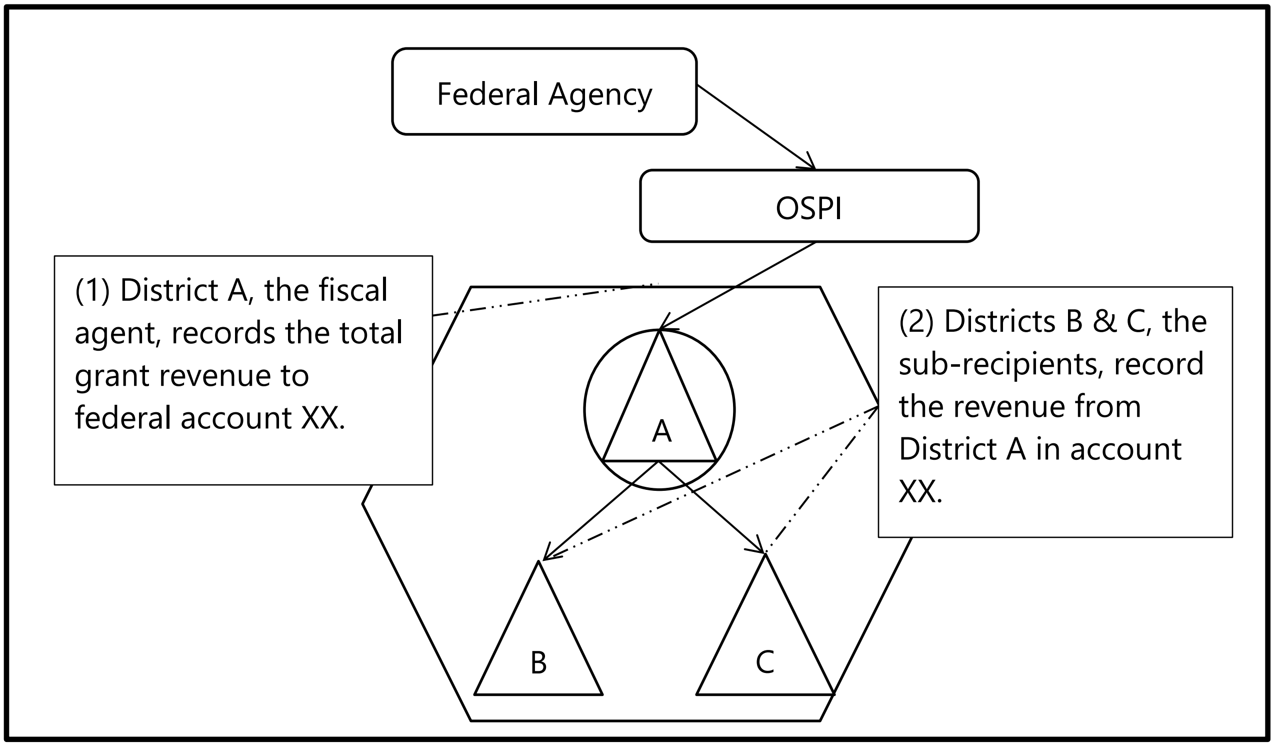


Fiscal Agent and Sub-Recipient

In this example, we have a federal grant being passed through from one district to another. The grant requires there to be a fiscal agent who passes through grant money to member districts.

- District A is the fiscal agent for the grant.
- Districts B & C are sub-recipients of the grant.
- Districts A, B, & C are in a shared service arrangement.
- When the proceeds of the grant are awarded from the federal agency to OSPI, District A (the fiscal agent) records the grant revenue to federal account XX.
- District A will then "pass through" the appropriate amount of grant proceeds to the member districts (B & C). See (1) on Chart 1.
- Districts B & C then record the grant revenue to account XX. See (2) on Chart 1.

Chart 1 – Fiscal Agent and Sub-Recipient

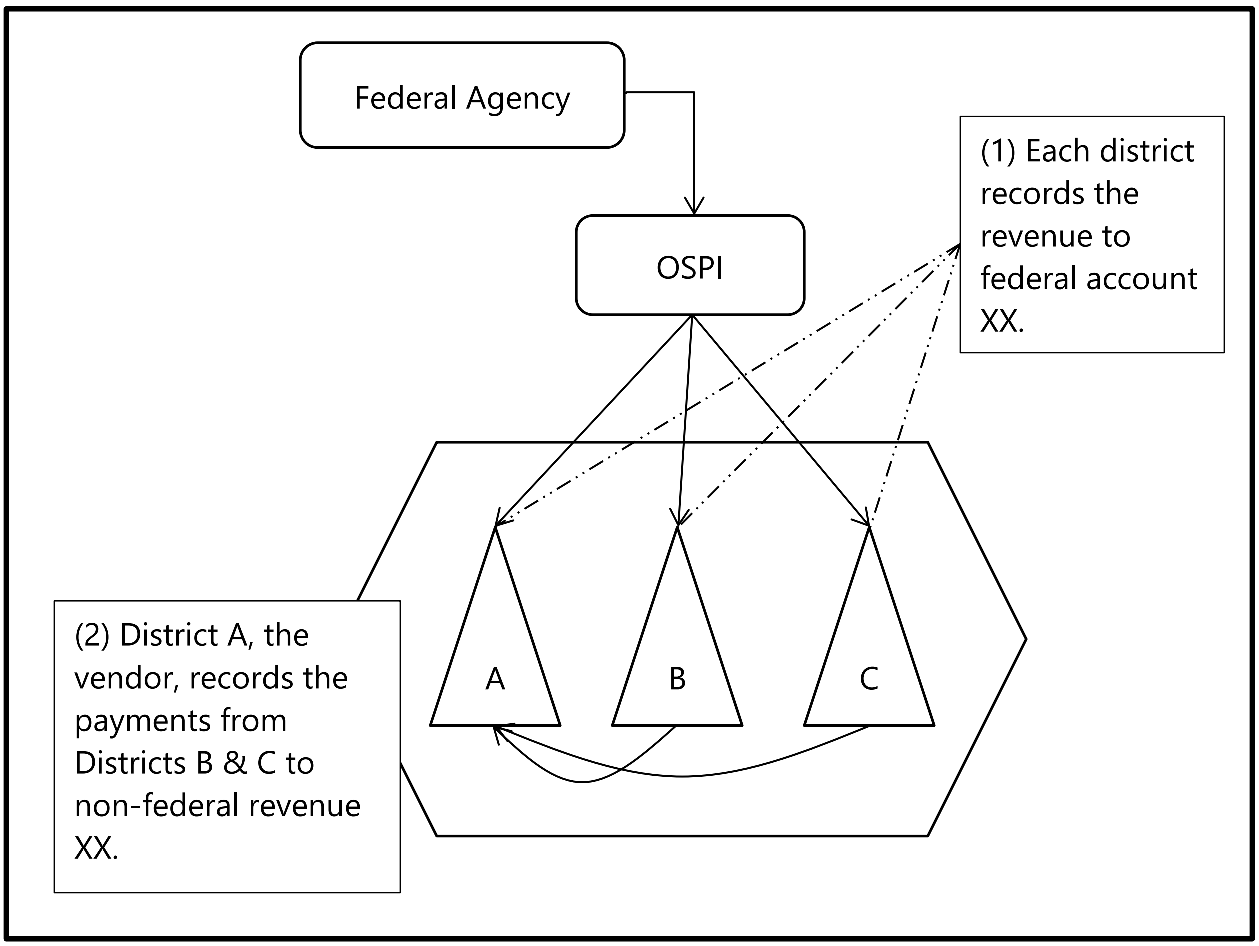


Vendor

This is an example of a district providing a contracted service to other districts. Districts A, B, & C are receiving federal funding from OSPI for XYZ program. Districts A, B, & C have entered into a shared service arrangement (or a cooperative). District A, the **vendor**, provides XYZ program services to their own district as well as districts B & C. District A bills Districts B & C, who then pay District A for services provided.

- Districts B & C record the federal revenue to account XX. District A, the vendor, bills districts B & C for services. See (1) on Chart 2.
- District A records the revenues from Districts B & C using non-federal revenue XX. See (2) on Chart 2.

Chart 2 – Vendor

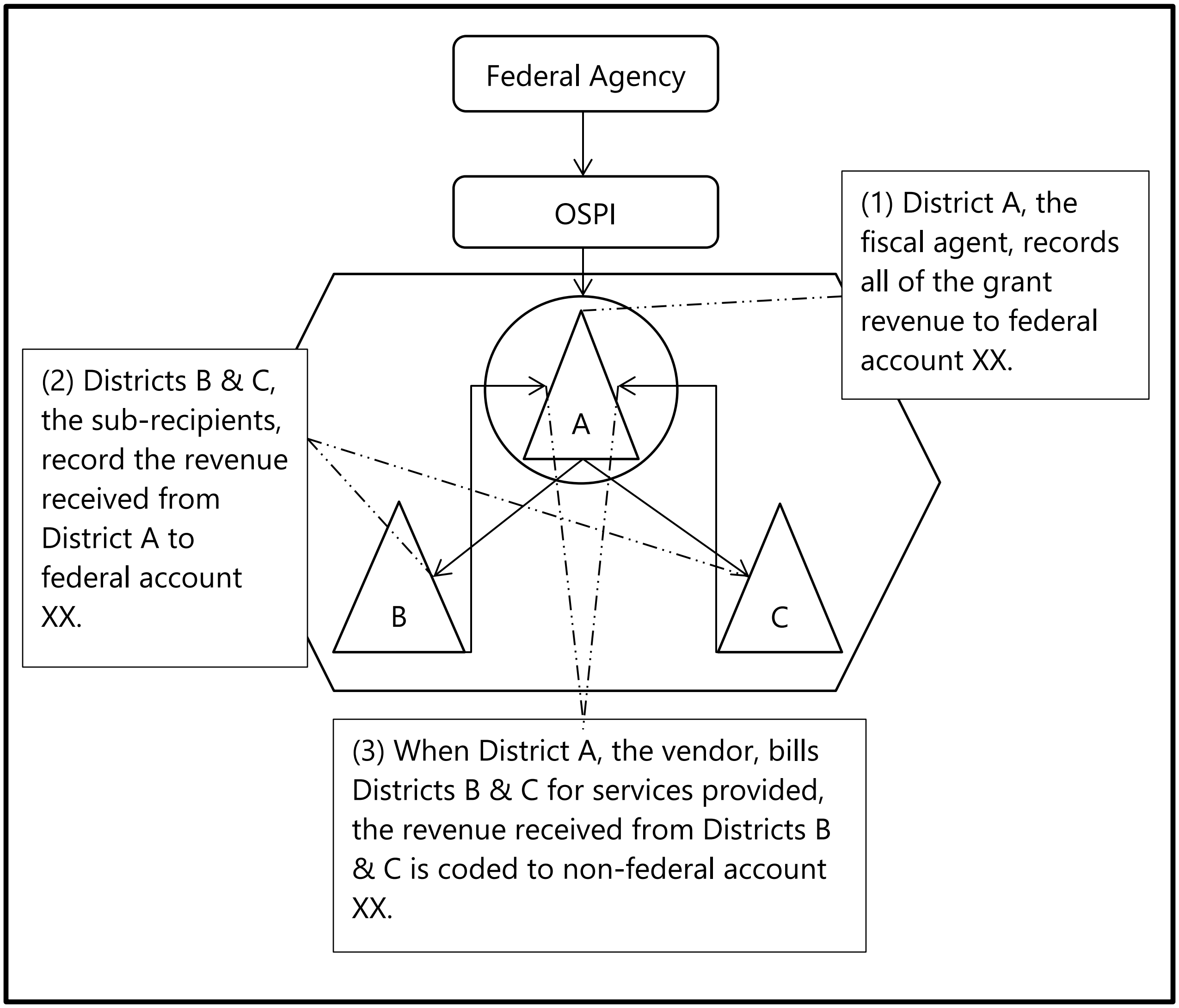


Fiscal Agent, Sub-Recipients, and Vendor

Districts B & C apply for a federal grant. However, the districts do not qualify for the grant on their own, but may be able to receive the grant money if they use a qualifying district to be the **fiscal agent**. District A agrees to be the fiscal agent of the grant for Districts B & C, the **sub-recipients**. In addition to the fiscal agent responsibilities for the grant, District A is also providing services to the member districts as a **vendor**.

- District A, as the fiscal agent, receives the federal revenues from OSPI and records all of the grant revenue to federal account XX. See (1) on Chart 3.
- Districts B & C, the sub-recipients, receive their portion of the grant and record the revenue received from District A in federal account XX. See (2) on Chart 3.
- Then District A, as the vendor, bills Districts B & C for services provided. The revenue received from Districts B & C is coded to non-federal revenue account XX. See (3) on Chart 3.

Chart 3 – Fiscal Agent, Sub-Recipients, and Vendor



Responsibilities of the Fiscal Agent

The fiscal agent usually performs the budgeting and accounting responsibilities related to the project. The fiscal agent generally is responsible for ensuring revenues are used in accordance with grant provisions and **may** be responsible for ensuring other requirements, such as matching and maintenance of effort, are met.

If the program revenues are not used in accordance with the grant provisions, the fiscal agent may be financially responsible for the consequences of instances of noncompliance. The fiscal agent may also be financially responsible if a member district is unable to pay back its respective portion of questioned costs.

As the title suggests, the entity selected as the fiscal agent for a shared service arrangement is responsible for the overall financial management of the program. This ***may*** include:

- **Processing financial transactions.** This includes the request for and deposit of grant revenue, payment of all allowable expenditures, and preparation of journal vouchers.
- **Maintaining source documentation.** This includes invoices, bills, payroll records, etc., to substantiate expenditures.
- **Preparing and submitting requests.** These are requests sent to the granting agency for program revenues.
- **Preparing and distributing to member units.** A final financial report allocating total program costs to each of the member units. Individual districts are responsible for reporting their share of expenditures on the annual financial reports submitted to the granting agency.

Responsibilities of Member Districts

Please note: *Actual responsibilities will vary depending on the specific program and agreement. A written agreement, signed by the fiscal agent and all members, is strongly encouraged.*

Member district responsibilities usually concern employment of personnel, budgeting, accounting, and reporting. A shared service arrangement's agreement should specifically address these or other responsibilities, as appropriate to the specific agreement. *In general,* the responsibilities may include the following:

- **Budgeting.** It is the responsibility of each member district to budget the portion of the monies it receives through the fiscal agent.
- **Accounting.** Each member district is responsible for maintaining and having available for audit accounting records for that portion of the monies it receives from the fiscal agent.
- **Reporting.** The member district is responsible for reporting monies expended by ***its district only*** to the granting agency. In addition, the member district is responsible for submitting detailed expenditure information to the fiscal agent for required state or federal reporting.

Fiscal Agent Accounting Treatment

The fiscal agent may be a recipient of the program under the arrangement (i.e., a *participating district*), or it can administer the arrangement and not receive program revenues (a *non-participating district with or without administrative responsibilities*).

Fiscal Agent as a Participating District

An ESD enters into an agreement to administer the grant funds. The ESD receives the specified funds and disburses such funds in accordance with the outside entity's approval. The ESD is one of the grant recipients and their agency is involved in defining the program and is involved in any program decisions over the allocation or expenditures of such funds at their ESD.

Accounting Treatment: All money received by this ESD should be ***recognized as revenues and expenditures*** in the fund financial statements.

Fiscal Agent as a Non-Participating District with Administrative Responsibilities

An ESD that enters into an agreement with another entity to administer the entity's specific grant funds, as prescribed by the grantor. The ESD receives the specified funds and disburses such funds in accordance with the outside entity's approval. The ESD is not one of the grant recipients, but is responsible for grant compliance.

Accounting Treatment: All money received by this ESD should be ***recognized as revenues and expenditures*** in the fund financial statements.

Fiscal Agent as a Non-Participating District with No Administrative Responsibilities (Cash Conduit Only)

The ESD does not have administrative responsibilities, but does receive the specified funds, and disburses such funds in accordance with the outside entity's approval. The ESD is not one of the grant recipients, is not involved in defining the program, and is not involved in any program decisions over the allocation or expenditures of such funds at their ESD.

Accounting Treatment: In infrequent cases, such as this, in which a recipient entity serves only as a cash conduit, the funds should be reported in an agency fund. A recipient government serves only as a cash conduit if it merely transmits grantor-supplied moneys without having administrative or direct financial or programmatic involvement in the program.

Fiscal Agent as a Participating District and On-Behalf Payments

This is the same as the Fiscal Agent as a Participating District, but the fiscal agent purchases services or equipment themselves and the sub-recipients of the program (or on behalf of the other district) in addition to the fiscal agent responsibilities. Purchases are made in accordance with the agreement and the program requirements.

Accounting Treatment: All money received by this ESD should be ***recognized as revenues and expenditures*** in the fund financial statements.

CENTRAL SERVICE COST ALLOCATIONS

ESDs have established a cost allocation plan which summarizes the methods and procedures the ESDs shall use to allocate central service cost pools to programs, grants, contracts, and agreements in accordance with CFR Part 200 Appendix V for State and Local Government and Indian Tribe-Wide Central Service Cost Allocation Plans.

Authority

Uniform Grant Guidance CFR Part 200 (UGG) establishes principles for determining costs of grants, contracts and other agreements with the Federal government. Under Federal cost principles, methodologies for charging costs to Federal programs must be consistent with methodologies used for all state and locally funded cost objectives. Only costs that are allowable, in accordance with Federal cost principles, shall be allocated to cost objectives through application of any of the approved methods.

ESDs are under the direction and authority of the Office of the Superintendent of Public Instruction (OSPI) by provisions of RCW Chapter 28A.300 and 28A.310. Cognizant agency oversight and approval of the ESDs' indirect cost rate and cost allocation plans is provided by OSPI.

Individual plans for each ESD, developed consistent with the general plan approved by OSPI, shall be prepared and updated at least annually.

The approved general cost allocation plan is included in the Manual as Appendix A.

INDIRECT COST LIMITS

Overview

Indirect cost limits ensure federal moneys are expended for intended uses and for allowable costs. Allowable costs include expenditures directly traceable to the program, called *direct expenditures*, plus a limited allowance for overhead, or *indirect expenditures*.

Federal Programs

Indirect expenditure rates allowed on federal grants awarded to ESDs are established by the Office of Superintendent of Public Instruction (OSPI) pursuant to an agreement with the U.S. Department of Education (USED). This agreement prescribes the method of rate computation and the resulting rates establish the maximum amount of indirect expenditures that may be claimed for a federal grant.

As the cognizant agency for ESDs, OSPI annually reviews and approves indirect cost rate determinations. ESDs are authorized for two federal rates, approved annually: a restricted and unrestricted rate. These rates are to be used for grants from the U.S. Department of Education as well as other federal agency awards. Additionally, OSPI approves a state rate annually for the ESDs for state grants passed to the ESD through OSPI. The information is lagged by two years: the rate calculated for 2023–2024 was based on 2021–22 financial results.

"Restricted" Versus "Unrestricted" Indirect Expenditure Rates

Restricted rates are used with grants where "supplement, not supplant" language is in the authorizing legislation. Questions regarding restricted and unrestricted rates should be made to the School Apportionment and Financial Services section.

Unrestricted rates are allowed to be charged against federal awards that do not contain supplement-not-supplant provisions.

How the Federal Indirect Expenditure Rates Were Computed

The indirect rates for ESDs were computed using an agreement between OSPI and the U.S. Department of Education, Office of the Chief Financial Officer. All ESDs submit their data annually, by February 1, for determination of a combined weighted-average rate issued for the nine ESDs.

The indirect rate is annually computed by dividing the total indirect expenditures by total direct expenditures based on the following categorization of expenditures for the general expenses fund for ESDs:

- Excluded – capital outlay, interest expense, distorting items
- Indirect – administrative and service expenditures
- Direct – all other General Fund expenditures

The indirect expense pool is further defined as program **01** services. The program **01** pool for the federal **<u>restricted</u>** rate includes the following activity codes (01 E 530 PPSS **AA**).

11 Board of Directors
12 Superintendent's Office
13 Business Office
15 Personnel
17 Public Information
22 Curriculum Support
23 Certification
60 Facilities *
73 Printing *
75 Motor Pool *
83 Debt Service – Interest
84 Debt Service – Principle
98 General Support
99 Internal transfers

May be included to the extent the ESD has not identified and accumulated them as a program **02 central service cost pool or to the extent these costs represent program **01** allocable share of central service costs.*

The pool for the federal **<u>unrestricted</u>** rate is the same as the restricted rate with the exception of all unallowable activities are included in the unrestricted pool.

Indirect cost rates **<u>exclude</u>** all space and occupancy costs which have been charged to programs directly as these are treated as allocable central service cost pools. Space and occupancy costs are allowed to be charged directly to programs per the 90-day letter submitted by OSPI on behalf of ESDs to the USED in 2006.

CHAPTER 2 – PRINCIPLES OF REPORTING

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OVERVIEW

Financial reporting is not an end in itself, but a useful tool in providing the necessary information needed by the citizenry and other users who have limited authority, ability, or resources to obtain information. The overall goal of financial reporting (and accounting) for governments is to provide:

- Financial information useful for making economic, social, and political decisions and demonstrating accountability and stewardship.
- Information useful for evaluating managerial and organizational performance.

The paramount objective of a government is accountability. Accountability is defined in the standards as:

> ***The requirement of a government to answer to the citizenry—to justify the raising of public resources and the purposes for which they are used.***

To meet these goals and objectives, financial reporting should assist the users in evaluating the government. To accomplish this, the financial reports should:

- Provide information to determine whether current-year revenues were sufficient to pay for current-year services.
- Demonstrate whether resources were obtained and used in accordance with the entity’s legally adopted budget.
- Demonstrate compliance with other finance-related legal or contractual requirements.
- Provide information to assist users in assessing the service efforts, cost, and accomplishments of the governmental entity.
- Provide information about sources and uses of financial resources, including the identification of material nonrecurring financial transactions.
- Provide information about how the governmental entity financed its activities and met its cash requirements.
- Provide information necessary to determine whether the entity’s financial position improved or deteriorated as a result of the year’s operations.
- Provide information about the financial position and condition of a governmental entity.
- Provide information about a governmental entity’s physical and other nonfinancial resources having useful lives that extend beyond the current year.
- Disclose legal or contractual restrictions on resources and risk of potential loss of resources.

The information presented in financial reports will also depend on the needs of the users. Generally, there are three primary users of external state and local governmental reports:

- The citizenry to whom government is primarily accountable.
- Legislative and oversight bodies that directly represent the citizens.
- Investors and creditors; e.g., securities underwriters and bond insurers.

Due to the organizational structure and nature of ESDs, the users of ESD statements are more limited to, in general, the following stakeholders:

- The Office of Superintendent of Public Instruction, as the oversight and cognizant agency for ESDs
- Districts who participate in ESD consortiums and cooperatives
- Funders and creditors: grant award agencies and loan underwriters

With external financial reporting a primary objective of a government, the accounting system must be designed to provide the essential information to meet this objective. Therefore, a financial objective can directly influence the accounting system from which the information is derived.

Financial statements and reports are end products of the reporting process. Certain information is better reported in the financial statements, while other information is better reported, or can only be reported, using alternative reporting formats.

Financial statements prepared by governments are the core of financial reporting and the principal means of communicating financial information to external users. Governments may also choose, or are required, to report through other types of financial reporting. Budgets filed with grantor agencies are examples of other types of financial reports and may include financial statements, other financial information, and nonfinancial information. These reports are examples of special purpose reports generally used to:

- Meet specific legal or contractual requirements.
- Present financial statements using a basis of accounting that differs from Generally Accepted Accounting Principles (GAAP).
- Present financial information in prescribed formats.
- Report specific elements, accounts, or items taken from the basic financial statements.

Since financial reporting is the primary means of communicating information to the users, certain basic characteristics are considered necessary for effectiveness. They are identified in the standards as:

- **Understanding—**Reports should be presented as simply as possible.

- **Reliability—**Reports should be fairly stated, verifiable, and free from bias.
- **Relevance—**Reports should meet the needs of the users.
- **Timeliness—**Reports must be issued soon enough to be of benefit to the users.
- **Consistency—**Reports should be prepared using the same accounting principle or reporting method for all similar transactions and events from one period to another.
- **Comparability—**Reports should help users make comparisons of different governments that perform the same functions or operations.

In the state of Washington, several types of financial reports are required. In addition to the required financial reports, ESDs may choose to prepare additional financial reports.

BUDGETS

Comparing Actual Financial Results With the Legally Adopted Budget

The budget document is considered by most to be the primary source of governmental information. External users of financial information (as identified in the previous section) are generally interested in comparing originally adopted budgets and budgets after final amendments with the actual results of the current year's activities on a budgetary basis. This information may be used to evaluate financial management practices (e.g., spending in excess of budgeted amounts may indicate poor financial management; underspending may indicate the quality or quantity of services could have been increased, there was effective cost containment, or resources were over-budgeted for a particular program).

Form F-206—Official Budget Document

Form F-206 is the official budget document for ESDs. All ESDs must prepare, adopt, and file their budgets in the required format. Per WAC 392-125-035, OSPI must review all adopted ESD budgets to ensure the estimates used in the budget are reasonable.

The following guidelines need to be considered for budget adoption:

- Budgets and budget extensions not submitted in the proper format will be required to be resubmitted.
- The budget and budget extensions must be prepared showing whole dollars only. Prior year actual data may include both dollars and cents.
- Salary exhibits are to be completed and placed after each program matrix page. The format provided must be used, and certificated and classified staff may be on

the same page provided they are listed separately. Dollar and FTE totals must be displayed and agree with the respective program matrix page. Salaries, including high, low, and average rates, must be shown for each job classification. Certificated staff FTE multiplied by the annual salary rates must equal the total annual salary for certificated employees. Classified total annual salaries are calculated by multiplying the number of hours times the average hourly rates of pay. Classified FTE can be calculated by dividing the number of hours by 2,080. No individual may be budgeted for more than one (1.000) FTE.

- Overtime, extra duties (such as substitutes), and estimates of salary increases (including increment increases) may be budgeted separately. Employee FTEs or rates of pay need not be shown. Such items may be budgeted for each program in total or may be budgeted by activity within each program. Except for vacant positions and adjustments for anticipated personnel changes in the current fiscal year, ESDs should ensure budgeted positions agree with the fiscal year's payroll.
- Salary schedules included in the budget should agree with salary exhibits or contain an explanation of any difference.
- The schedule of real property occupied or owned by the ESD is to be completed and included with the SPI Form F-206 ESD Budget. It should reflect all real property occupied or owned by the ESD during all or part of the budgeted fiscal year.
- All cross-references contained in the budget document should be observed carefully to eliminate errors.
- Budget status reports should be analyzed monthly. If it appears total budgeted expenditures will be exceeded and resources are available, the ESD should prepare a budget extension. If, however, it appears only certain programs' expenditures will be exceeded, effort should be made to transfer expenditure authority from programs, which have excess budget capacity to avoid unnecessary budget extensions.
- A budget extension must be adopted by the ESD board of directors and approved by OSPI prior to incurring expenditures in excess of total budgeted expenditures. Budget extensions in whole or in part that fail to meet this requirement are subject to non-approval by OSPI.

If an ESD needs to file a budget extension to increase its appropriation, per WAC 392-125-055, the ESD's board of directors shall adopt a resolution stating the specific reason(s) for extending the budget, the estimated amount of additional appropriations needed, and the source(s) of the funds. Such resolution shall be voted on at a public meeting and notice of this meeting must be published in the manner provided by WAC 392-125-020. Passage of the resolution shall require majority approval of all of the ESD's directors. Upon passage of a resolution to extend the budget, the ESD shall prepare a request for budget extension on Form SPI F-269 and provide data on the detail pages and program matrix pages (only those pages affected by the extension).

FINANCIAL STATEMENTS

Assessing Financial Condition and Results of Operations

Financial reports are commonly used to assess a state or local government's financial condition or its financial position, and its ability to continue to provide services and meet obligations as they come due. In the past, government financial reporting has not emphasized the balance sheet effects of operations because of the viewpoint that current-year costs can be paid with future year's revenues.

However, users have become more interested in government's ability to "live within its means." The Governmental Accounting Standards Board (GASB) calls this "interperiod equity." They believe "interperiod equity is a significant part of accountability and is fundamental to public administration. In short, financial reporting should help users assess whether current-year revenues are sufficient to pay for the services provided that year and whether future taxpayers will be required to assume burdens for services previously provided." (GASB Cod. Sec. Appx B; GASB Concepts Statement 1, ¶61.)

Although there is increased interest in the balance sheet, the focal point in governmental financial reports remains the operating statements. The statements provide information on economic resource inflows and outflows. The results of operations can be compared to prior years' results or to other similar governmental entities providing similar services.

Report F-185—Annual Financial Statements

Form SPI F-185, ESD Annual Financial Statements, is the required financial statement report of an educational service district. It reports the financial condition and actual revenues and expenses for the fiscal year. Form F-185 requires ESDs to display amounts in a prescribed format to OSPI. This facilitates an accurate compilation of the ESDs financial activities into a statewide financial summary.

According to WAC 392-125-085, each ESD must submit a financial report to the Office of Superintendent of Public Instruction (OSPI) within 90 calendar days following the end of its fiscal year. If financial information, applicable to all ESDs, is not available in a timely fashion and deprives the ESDs of the ability to complete their financial reporting by this deadline, OSPI is prepared to extend this due date by up to 30 calendar days.

Filing of the Annual Financial Statements is with School Apportionment and Financial Services at OSPI and with Audit Services at the Office of the State Auditor. Form F-185 may be filed electronically via email, with an attached file. The signed Certification Page must be mailed to: OSPI, School Financial Services, Old Capitol Building, PO Box 47200, Olympia, WA; 98504-7200.

Overview of Report F-185

Form F-185, is the format specified by OSPI. It is a spreadsheet-driven report. The completed F-185 excel workbook should be returned without modifications to row descriptions or cells containing formulas. Rows and columns in the F-185 worksheets should remain intact. Spreadsheets not applicable to an individual ESD should remain intact and not deleted. Adding rows or columns in any worksheets is not authorized without prior notification and approval from OSPI.

F-185 financial reports not submitted to OSPI in the original format will not be accepted and will require resubmission. A number of informational edits can be found on the F-185. These should be corrected before the F-185 is submitted to OSPI. The F-185 Annual Financial Statements and the F-185 template are available on the OSPI website by selecting the ESD Reports and Resources link from the School Apportionment website.

Because OSPI requires ESDs to prepare the F-185 on a template, the ESD's annual financial reports may need to be modified for GAAP-like financial reports necessary for audit purposes. If circumstances require the district to modify financial reports, retain a copy of the completed F-185 as submitted to OSPI and prepare appropriate GAAP-like financial statements for SAO audit purposes.

Immaterial differences are anticipated between the financial reports prepared for OSPI and GAAP-like financial statements. These differences include, but are not limited to: converting the document to PDF or Word format; modifications to row descriptions; changing cell formulas to values; deleting blank rows or columns; deleting spreadsheets or supplemental reports which are not applicable; adding rows or columns as necessary for appropriate financial statement presentation.

Making Corrections to Report F-185 Annual Financial Statements

Care should be taken to ensure the F-185 document submitted to OSPI is complete and accurate. If corrections are necessary, ESDs should submit a revised F-185 to OSPI, along with a brief memo that addresses the changes made (specific reports or sections of reports). The memo should also indicate if the correction was discovered by the ESD or required by SAO.

The following applies to the filing of corrections:

- The correction must be the correction of an error.
- Corrections can be for any amount, no matter how small.
- Only unaudited years are eligible for correction. Years for which an audit has been completed by SAO are not eligible for correction, unless the examiner first agrees to the correction.

Financial Reporting of Corrections

Informational supplements (filings) to Report F-185 are generally only used for adjusting reimbursements that result from the correction of errors. They are not a replacement for the accounting and financial reporting of errors required in accordance with GAAP.

Since the informational supplement filing does not correct the actual Report F-185 filing, but only supplements it, the ESD must address the error correction in its current-year financial statements. These error corrections must be done in accordance with Financial Accounting Standards Board (FASB) Statement No. 16, "Prior Period Adjustments," which states immaterial prior period error corrections must be shown in the current-year's revenue and expense accounts. If the error corrections are material in amount, the ESD will need to reflect the changes to the beginning fund balance of the current fiscal year. (See the definition of "materiality" below.) These accounting and reporting steps should be included in Report F-185 for the current year, and **not** for the year in which the error occurred. When the question of a prior period adjustment comes up, the ESD may wish to work with the SAO's regional audit manager to obtain concurrence on how it should be handled.

Definition of Materiality

Materiality is defined in the FASB's Statement of Financial Accounting Concepts No. 2 as: The magnitude of an omission or misstatement of account information, in the light of surrounding circumstances, makes it probable the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.

GAAP FINANCIAL REPORTS

GAAP are the accounting rules, conventions, and procedures underlying the principles established by the Governmental Accounting Standards Board (GASB). These principles are part of the standards used in auditing educational service district financial statements in accordance with generally accepted auditing standards (GAAS). GASB Statement No. 34—*Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* provides guidance on preparing statements in conformity with GAAP.

GAAP Requirements

GAAP require the following minimum requirements for basic financial statements and required supplementary information (RSI):

- Management's discussion and analysis (MD&A). This RSI is presented before the financial statements. ESDs do not prepare MD&A. This is a departure from GAAP.
- Districtwide financial statements consisting of the statement of net position and statement of activities.
- Fund financial statements for governmental and fiduciary funds.
- Reconciliations between the districtwide statements, which are presented using the economic resources measurement focus and accrual basis of accounting and the fund financial statements, prepared using the current financial resources focus and modified accrual basis of accounting. This may be reported in a separate schedule or at the bottom of the fund financial statements.
- Notes to the financial statements.
- Required supplementary information other than MD&A, as required by GAAP.
- Other supplementary information, including budgetary comparison information. These schedules are presented after required supplementary information and may be presented due to regulatory requirements, rather than GAAP.

Districtwide Financial Statements

Districtwide financial statements display information about the ESD as a whole, except for fiduciary fund activity. These statements are prepared using the economic resources measurement focus and accrual basis of accounting. This means revenues, expenses, gains, losses, assets, and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. The districtwide statements consist of:

- The Statement of Net Position (*GASB Statement 34, paragraphs 30–37*).
- The Statement of Activities (*GASB Statement 34, paragraphs 38–62*).

Statement of Net Position

The statement of net position reports all financial and capital resources. GASB encourages a format displaying assets plus deferred outflows of resources less liabilities and deferred inflows of resources equals net position. Assets, deferred outflows, liabilities, and deferred inflows may be presented in order of relative liquidity (preferred) or on a classified basis that distinguishes between current and long-term assets and liabilities.

Capital assets are reported on the statement of net position at their historical cost net of accumulated depreciation. Historical cost includes ancillary charges necessary to place the assets into their intended location and condition for use. The assets are depreciated over their estimated useful lives using the straight-line method. The Office of Financial Management's (OFM) depreciation schedules applicable to ESD assets should be used as guidance.

Net position should be shown in three components:

- *Net investment in capital assets* consists of capital assets, including restricted capital assets, net of accumulated depreciation. The outstanding balances of any bonds, mortgages, notes, or other borrowings attributable to the acquisition, construction, or improvement of the assets reduce this amount. Unspent related debt proceeds at year-end should be included in *restricted for capital projects*, not included as capital assets.
- *Restricted net position* are those resources that are subject to restriction that are beyond the ESD's control. These include resources that were received or earned by the ESD with an explicit understanding between the ESD and the resource provider that the funds would be used for a specific purpose. These restrictions are not unilaterally established by the ESD itself and cannot be removed without the consent of those imposing the restrictions. Qualifying restrictions for this purpose include the following:

- Restrictions externally constrained by creditors, grantors, or laws and regulations of other governments
- Restrictions imposed by law through constitutional provisions or enabling legislation
- Restrictions which include legally enforceable requirements that resources be used only for the specific purpose stipulated in the legislation. Note: management frequently designates resources for specific purposes. This is an internal assignment or commitment that may be changed or removed by management and is therefore not defined as a restriction.
- Restricted resources include, but are not limited to:
  - Shared risk pools
  - Cooperative agreements that include redistribution of assets upon dissolution
  - ECEAP (RCW 28A.215.020)
  - State Transportation (RCW 28A.160.010, WAC 392-141-310)

- *Unrestricted net position* are those remaining resources that do not meet the definition of either of the first two components.

Statement of Revenues, Expenditures, and Changes in Fund Net Position

The Statement of Revenues, Expenditures, and Changes in Fund Net Position reports the operations of the ESD as net (expense) revenue of its individual funds. It shows the changes in the net position reported on the statement of net position by fund. This statement should report information about the inflows, outflows, and balances of current financial resources of each major governmental fund and for the nonmajor governmental funds in the aggregate. A total column should be presented.

The statement should present the following information, in the format and sequence indicated:

- Revenues (detailed)
- Expenditures (detailed)
  - Excess (deficiency) of revenues over expenditures
- Other financing sources and uses, including transfers (detailed)
- Special and extraordinary items (detailed)
  - Net change in fund balances
- Fund balances—beginning of period
- Fund balances—end of period

Revenues

General Revenues

All revenues are general revenues unless they are required to be reported as program revenues. Revenue is recorded consistent with restrictions of funding sources, if any. The following are typical general revenues for ESDs:

- Apportionment from OSPI for the awarded budget
- Interlocal agreements and contracts for services
- Grant awards from other governments or entities
- Program donations
- Earnings on invested surplus cash; proceeds from asset disposals
- Lease income from excess facility capacity

Program Revenues

Program revenues are generated directly from a program. They include:

- Revenue from those who purchase, use, or directly benefit from the goods or services of the program.
- Revenue from other governments, entities, and individuals, if such revenue is *restricted* to a specific program or programs.
- Earnings on endowments or permanent fund investments if restricted to a program specifically identified in the agreement.

The following three categories of program revenues should be reported on the statement of activities:

- Charges for services determined by the program that generates the revenue.
- Program-specific operating grants and contributions determined by the program for which the revenues are restricted.
- Program-specific capital grants and contributions determined by the program for which the revenues are restricted.

Expenditures

Expenditures are reported after revenues. At a minimum, ESDs must report all direct expenditures by fund. Direct expenditures are those clearly identifiable or specifically associated with a service or program. Special or extraordinary items are reported separately.

ESDs are *not required* to allocate indirect expenditures to functional activities. They are, however, permitted to do so. Centralized administrative overhead does not need to be identified or eliminated, but should be disclosed in the notes to the financial statements or other identification. The F-185 identifies centralized administrative overhead as a line item functional expense.

Depreciation on capital assets be specifically identified with a fund should be included as a direct expense. Depreciation for shared capital assets should be ratably included as a direct expense of the appropriate funds. Depreciation for a building or other asset serving all funds may be ratably assigned or shown as a separate item or as part of "general government."

Most interest on general long-term liabilities should be treated as an indirect expense; only interest on borrowing necessary to establish or maintain a program should be included as a direct expense. Most interest on general long-term liabilities does not qualify as a direct expense and should be reported on a separate line.

Notes to the Financial Statements

Notes to the Financial Statements are essential in explaining significant accounting policies and circumstances that affect the ESD's financial position and results of operations.

Notes in financial reporting are the responsibility of the educational service district, not the auditor, and accordingly are subject to audit as an integral part of the financial statements. Sample notes to the financial statements can be accessed on the OSPI website by selecting the ESD Reports and Resources link from the School Apportionment website.

The Notes to the Financial Statements are intended to communicate information necessary for a fair presentation of financial position and results of operations that are not readily apparent from, or cannot be included in, the financial statements themselves. The notes are therefore an integral part of the financial statements.

- When preparing Notes to the Financial Statements, delete the notes that do not apply and add others needed for readers to understand the financial statements.
- Example notes provided on the OSPI website are considered the minimum requirement for disclosure, as applicable. Additional disclosures not specifically shown as examples may also be required to achieve fair presentation for unique facts and circumstances.

- Notes should not include irrelevant, obsolete, trivial or superfluous information. For example, districts should refrain from negative disclosure (stating that a potential disclosure is inapplicable, such as "there were no subsequent events requiring disclosure").
- Note disclosures should be expressed as clearly and simply as possible and include explanations as necessary to ensure it is understandable by users. However, this does not mean that disclosures should avoid precise technical terms or omit or abridge information that may be complicated or difficult to understand.
- The notes to the financial statements can be presented in any format including: narrative; tables; schedules; and matrices, as long as they contain the required information.

OTHER FINANCIAL REPORTS

Assisting in Determining Compliance With Finance-Related Laws, Rules, and Regulations

In addition to the legally mandated budgetary and fund controls, there may be other legal restrictions controlling governmental actions. Financial reports may help demonstrate compliance with grant restrictions, bond covenants, and taxing and debt limits. Failure to comply with legal or contractual provisions may indicate fiscal irresponsibility and could have financial consequences such as disallowed costs, loss of grants, or acceleration of debt payments. Therefore, governments should ensure the accounting system is capable of providing the necessary information to demonstrate compliance with the applicable laws, rules, and regulations.

For educational service districts, there are three prescribed reports considered to be supplementary information. These reports are filed along with the ESD's financial statements to OSPI.

The first is a Statement of Revenues and Other Financing Sources. ESDs will report their revenues and other financing sources in each of the account codes identified in Chapter 3, as appropriate to the ESD's situation.

The second is an Expenditure Summary Report. On this report, ESDs will report their expenditures by program, activity, and object, with the codes as defined in Chapter 3, as appropriate. The expenditures are reported in program matrices and then summarized separately by program, activity, and object code.

The third is the Budgetary Comparison Report. On this report, ESDs will compare their approved and amended budgets to actual results by revenue and expense, consistent with the Statement of Changes in Net Position. This report is prepared for the General Fund Expenses only.

Schedule of Expenditure of Federal Awards (SEFA)

Under the Single Audit Act, a schedule of expenditures of federal awards must be prepared by educational service districts that expend more than $750,000 in federal awards (2 CFR Part 200 Subpart F §200.501)

The State Auditor's Office (SAO) prescribes the form and content of the schedule. State programs are not included; however, indirect federal moneys administered through OSPI or other agencies are included on the schedule. The SEFA must be submitted electronically via the SAO Online Filing portal on the State Auditor's website at: SAO.

The SEFA is included as a part of the ESD's financial statements.

Further information on the SEFA can be found in Chapter 4 on Federal Grants Management and on the website for the State Auditor's Office.

Assisting in Evaluating Efficiency and Effectiveness

Taxpayers and other governmental entities want information about service efforts, costs, and accomplishments of governmental entities and consider this information a necessary element of financial reporting. This information, along with additional information, may help users assess the economy, efficiency, and effectiveness of a government and may help form a basis for funding decisions. To be of value, the information needs to be of sufficient detail to permit comparisons with other years and other governmental entities.

Currently, in the state of Washington, there are no required reports of this kind, although some ESDs may already be issuing this type of report for their board of directors. They may provide reports on the cost of providing services to school districts over a period of time, or comparing costs to projections for the future.

FINANCIAL REPORTING ENTITY

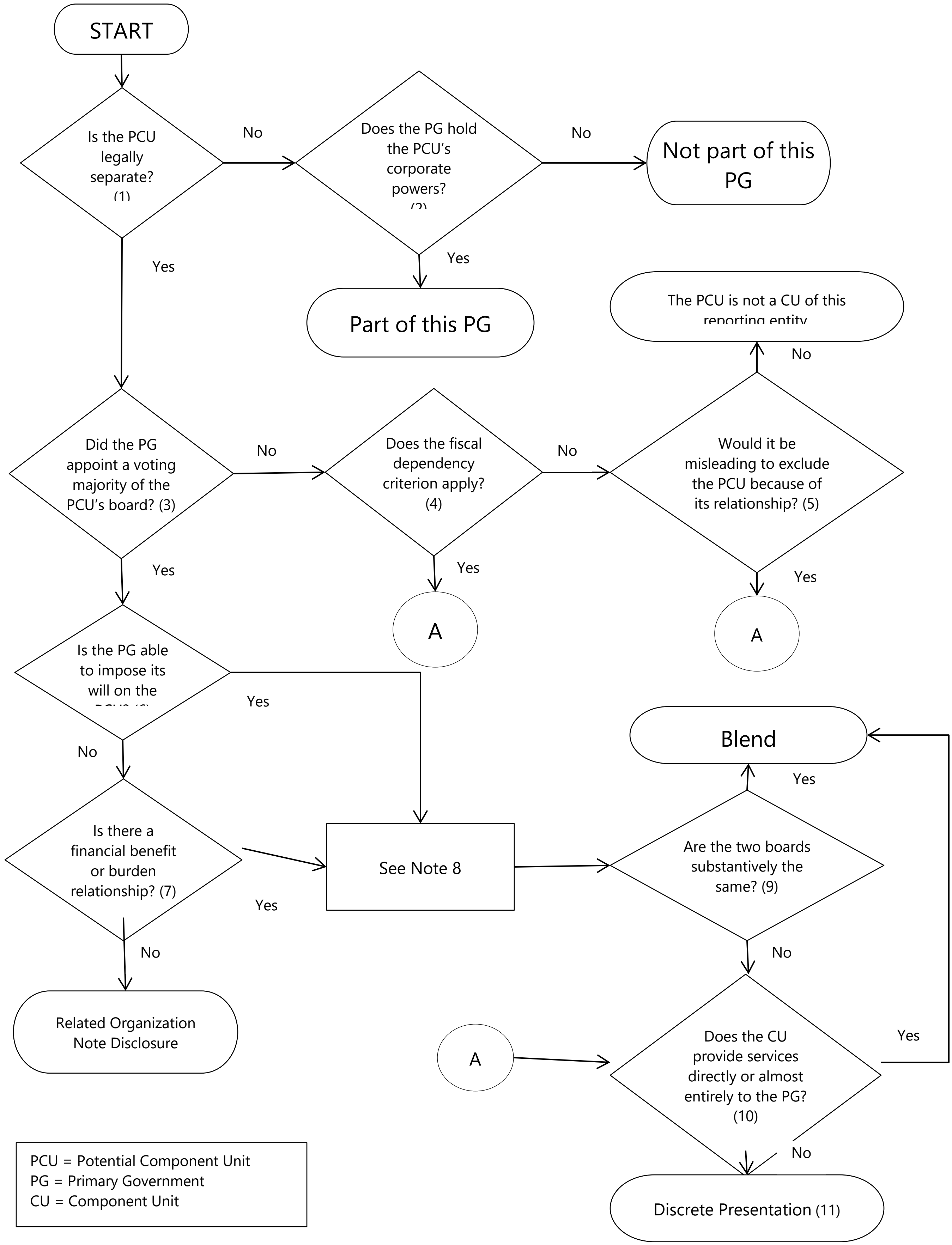
GASB Statement 14, *The Financial Reporting Entity*, establishes standards for defining and reporting on the financial reporting entity. It defines the financial reporting entity as consisting of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The primary government is financially accountable for those organizations that make up its legal entity as well as legally separate organizations if (1) the primary government appoints a voting majority of an organization's governing body, and (2) either it can impose its will on that organization, or (3) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

Organizations determined to be *component units* of the primary government under Statement 14 should be included in the financial reporting entity either by blending (see below) into the financial data of the primary government or by discrete presentation in one or more columns separate from the financial data of the primary government.

ESDs may participate in joint ventures or cost-sharing arrangements. Presentation of such related organizations presents special issues. Statement 14 and its model financial statements should be consulted for an in-depth discussion.

The flowchart on the following page will help determine an organization's reporting status. The reader should start with the flowchart and accompanying notes. The next section addresses organizations for which the answer to Question 7 (Is there a financial benefit or burden relationship?) on the Financial Reporting Entity flowchart is "no."


START
Is the PCU legally separate? (1)
No
Does the PG hold the PCU's corporate powers? (2)
No
Not part of this PG
Yes
Part of this PG
Yes
The PCU is not a CU of this reporting entity
No
Did the PG appoint a voting majority of the PCU's board? (3)
No
Does the fiscal dependency criterion apply? (4)
No
Would it be misleading to exclude the PCU because of its relationship? (5)
Yes
Yes
Yes
A
A
Is the PG able to impose its will on the PCU? (6)
Yes
No
Blend
Yes
Is there a financial benefit or burden relationship? (7)
See Note 8
Are the two boards substantively the same? (9)
Yes
No
No
A
Does the CU provide services directly or almost entirely to the PG? (10)
Yes
No
Related Organization Note Disclosure
Discrete Presentation (11)
PCU = Potential Component Unit
PG = Primary Government
CU = Component Unit

Notes to Financial Reporting Entity Flowchart

1. An organization has separate legal standing if it is created as a body corporate or a body corporate and politic, or if it otherwise possesses corporate powers.

2. Corporate powers give an organization the capacity to have a name, the right to sue and be sued in its own name without recourse to the state or local government, and the right to buy, sell, lease, and mortgage property in its own name.

3. The primary government's appointment authority should be substantive. This excludes selections from lists of candidates or confirmations. The requirements apply also to the situation in which the voting majority consists of a primary government official serving as required by law (and <u>not technically</u> appointed). The primary government is accountable also if it can unilaterally abolish an organization or it has continuing appointment authority.

4. Fiscal dependence does <u>not</u> necessarily mean financial benefit or burden for a primary government. An organization is fiscally dependent if it cannot meet <u>all</u> three of the following requirements without <u>substantive</u> approval of a primary government:
   a. Determine its budget
   b. Levy taxes or set rates or charges
   c. Issue bonded debt

   It is also important to make a distinction between <u>substantive</u> and <u>ministerial (compliance)</u> approval. Ministerial approval is often a result of the general oversight of the respective state or local governments. This may include evaluation of programs, review for compliance with the statutory requirements, etc. Being subject to ministerial approval does not qualify an organization as fiscally dependent. In addition, a primary government that is <u>temporarily</u> under the fiscal control of another government continues to be fiscally independent.

5. Some component units, despite being legally or fiscally independent from the primary government, are so intertwined with the primary government that they are, in substance, the same as the primary government. For example, they have substantially identical governing bodies, or they exclusively or almost exclusively provide services or benefit the primary government.

6. A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization. The existence of <u>any one</u> of the following conditions indicates the primary government has the ability to impose its will on an organization:
    a. The ability to remove the appointed members of the organization's governing body at will.
    b. The ability to modify or approve the budget of the organization.
    c. The ability to modify or approve the rate or fee changes affecting revenues, such as water usage rate increases.
    d. The ability to veto, overrule, or modify the decisions (other than those in b. and c.) of the organization's governing body.
    e. The ability to appoint, hire, reassign, or dismiss those persons responsible for day-to-day operations (management) of the organization.

    There may be other conditions indicating the possibility of imposing will. When assessing them, remember to make the decision between substantive and ministerial approvals.

7. The benefit or burden may result from legal entitlements or obligations, or it may be less formalized and exist because of a decision made by the primary government or agreements between the primary government and component unit.
    An organization has a financial benefit or burden relationship with the primary government if <u>any one</u> of these conditions exist:
    a. The primary government is legally entitled to or can otherwise access the organization's resources.
    b. The primary government is legally obligated or has otherwise assumed the obligation to finance deficits of, or provide financial support to, the organization.
    c. The primary government is obligated in some manner for the debt of the organization.

    Exchange transactions between organizations and the primary government are not considered a financial benefit or burden relationship.

    The effect of the financial benefits or burdens on the primary government can be either <u>direct</u> or <u>indirect</u>. A direct effect occurs when the primary government itself is entitled to the resources or obligated for the deficits or debts of the organization. An indirect relationship occurs when one or more of the primary government's component units is entitled to the resources and obligated for the deficits of debts of the organization. In both cases, the primary government has the benefit or burden relationship with the organization.

8. A potential component unit for which a primary government is financially accountable may be fiscally dependent on another government. An organization should be included as a component unit of only one reporting entity. Professional judgment should be used to determine the most appropriate reporting entity. A primary government that appoints a voting majority of the governing board of a component unit of another government should make the disclosures required for related organizations.

9. "Substantively the same" means sufficient representation of the primary government's entire governing body on the component unit's governing body to allow complete control of the component unit's activities.

10. The essence of this type of arrangement is much the same as an internal service fund—the goods or services are provided to the government itself rather than to the citizenry.

11. GASB Statement 14 allows flexibility in displaying the component unit's financial data.

Impact on the ESD's Financial Statements

If an ESD does have a relationship with a component unit or a related organization, the following apply:

1. If the entity is a Related Organization, it should be disclosed in the notes.

2. If the entity is a Component Unit, it requires either blending or discrete presentation depending on the circumstances indicated in this section.

INTERLOCAL COOPERATION: ACTIVITIES WITH OTHER GOVERNMENTS

Organizations not included as component units in the primary government's reporting entity, but for which the primary government may appoint some or all of the governing board members, may need to be disclosed. These are organizations that the answer to

Question 7 on the Financial Reporting Entity Flowchart is "no." These related organizations are discussed in the following sections.

Educational service districts may cooperate under certain conditions with other local governments. The basis is mutual advantage to provide services and facilities. This is accomplished in a manner and pursuant to forms of governmental organization that will best accord with geographic, economic, population, and other factors influencing the needs and development of local communities.

Interlocal Agreements

An interlocal agreement is a contract entered into by two or more public agencies for joint or cooperative action. This action must be a power, privilege, or authority already capable of being exercised by the public agencies involved, and the manner of financing shall be as provided by law. The agreement could establish a separate entity as described below.

If the interlocal agreement <u>does</u> establish a separate legal or administrative entity, this entity must be legally created. The agreement must specify duration, organization, purpose, manner of financing, and methods of termination. Funds of this separate entity would be subject to audit in the manner provided by law for the auditing of public funds.

If the interlocal agreement <u>does not</u> establish a separate legal entity by law, the agreement must specify the criteria listed above and must provide for an administrator or a joint board responsible for administering the cooperative undertaking. Provisions are also required to detail the manner of the joint board in acquiring, holding, and disposing of real and personal property used in the joint undertaking. The joint board is also authorized to establish an operating fund with a county, city, or district treasurer of one of the involved public agencies.

The interlocal agreement should be listed by subject on the ESD's website or other electronically retrievable public source; per RCW 39.34.040.

Chapter 39.34 RCW issues various guidelines and requirements applicable to interlocal agreements. Chapters 28A.310.010, 28A.310.180, 28A.310.200, 28A.320.080 provide guidance specific to ESDs.

For reporting treatment, an interlocal agreement must be evaluated for each member agency to determine whether "joint venture" treatment is applicable. If joint venture treatment is applicable, see the reporting requirement as recommended in the joint venture section. If joint venture treatment is not applicable, the existence of the interlocal agreement should be footnoted and the transactions should be accounted for in the appropriate fund. Contractual requirements take precedence over accounting requirements; for example, a contract may require one member to be the reporting entity when it does not exercise "oversight responsibility."

Joint Ventures

Characteristics

A joint venture is a legal entity or other organization that results from a contractual arrangement and is owned, operated, or governed by two or more participants as a separate and specific activity. To qualify as a joint venture, an arrangement must involve both (1) joint control and (2) an ongoing financial interest **or** an ongoing financial responsibility.

Joint control—No single participant has the ability to unilaterally control the financial or operating policies of the joint venture.

Ongoing financial responsibility—A participant is obligated in some manner for the debt of the joint venture, or the joint venture depends upon the participant's continued funding. (This criterion is subject to professional judgment. A general rule: a joint venture's dependability on the many participants is likely to decrease as the number of participants increase.)

Ongoing financial interest—A participant has access to the joint venture's resources. Such access can be either direct (e.g., a right to surplus) or indirect (e.g., the ability to cause the joint venture to undertake projects of benefit to the participant).

A lack of ongoing financial interest or ongoing financial responsibility designates the entity as a jointly governed organization subject to different disclosure requirements.

When the number of participants in a joint venture increases, their financial responsibility may decrease. GASB Statement 14 does not establish any breaking point for determining when the participant is financially responsible. A decision, in the marginal cases, is left to the professional judgment of the government.

Financial Reporting

For financial reporting purposes, there are two types of joint ventures:

- Joint ventures whose participants have an equity interest.
- Joint ventures whose participants do not have an equity interest.

The indication of an equity interest is an ownership of shares of the joint venture's stock or other explicit and measurable rights to net resources (usually based on investment of financial or capital resources in the joint venture). To be considered explicit and measureable, the rights to the present or future claims to the joint venture's resources and the methods to determine the amounts have to be clearly defined in the joint venture agreement. If equity interest in the joint venture is implied rather than explicitly stated, the joint venture participants should consider modifying the agreement to clarify its intent.

Because the equity interest primarily represents equity in capital assets, it should be reported in the General Fixed Assets Account Group. The amount reported is the total equity adjusted for any portion of the equity interest that is included in the balance sheet of the governmental fund (net investment in joint venture account). The operating statement should include the changes in the joint venture's equity only if the amounts received or receivable from the joint venture or the amounts paid or payable to the joint venture meet the revenue and expenditure recognition criteria.

Disclosure

1. A general description of the joint ventures that includes:
    a. A description of any ongoing financial interests.
    b. A description of any ongoing financial responsibility.
    c. Information to allow the reader to evaluate whether the joint venture is accumulating significant financial resources or is experiencing fiscal stress that may cause an additional financial benefit to or burden on the participant in the future, and information about the availability of separate financial statements of the joint venture.
    d. Information on related party transactions.

Jointly Governed Organizations

Characteristics

A regional organization or multi-organizational arrangement that is governed by representatives from each of the organizations that create it, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibilities.

Disclosure

Limited to related party transaction information.

Related Organizations

Characteristics

The primary government appoints a voting majority of the board but is not financially accountable (there is no financial benefit or burden relationship). There is no substantive budget approval authority or imposition of will.

Disclosure

The primary government should disclose in the notes to the financial statements the nature of its accountability. Groups of related organizations with similar relationships may be summarized. In addition, information regarding related party transactions should be disclosed.

Joint Operations or Undivided Interests

Characteristics

A joint operation or undivided interest is an ownership arrangement in which two or more participants retain equity interests in specific assets and are liable for specific obligations. No separate legal entity or organization is created.

Disclosure

The participant should report assets, liabilities, revenues, and expenditures associated with the joint operations in appropriate financial statements. If there is a hybrid arrangement, i.e., the activity possesses characteristics of both a joint venture and joint operation, the joint venture and joint operation components should be distinguished and disclosed separately.

Cost-Sharing Arrangements

GASB Statement 14 lists other arrangements that should not be considered joint ventures. Examples are jointly financed projects such as joint purchasing agreements and certain benefit plans.

Pools

Characteristics

Pools have many characteristics of joint ventures, but they possess other features that differ. Typically, pools have "open" membership; that is, other entities are free to join, resign, increase, or decrease their participation in the pool without the knowledge or consent of the other participants.

Disclosure

Guidance on the accounting and reporting for pools is set by GASB Statement 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues.

Unilaterally Controlled Joint Organizations

Characteristics

An organization may have several participants (like a joint venture) but only one participant appoints voting majority of the organization's governing body (so there is no joint control). If the participant is also financially accountable for the organization (e.g., imposition of will, fiscal benefit or burden, or fiscal dependence), or it would be misleading to exclude the organization from the reporting entity, the joint organization should be reported as a component unit. However, if there is no financial accountability, the joint organization should be disclosed as a related organization.

Disclosure

See disclosure requirements for component units or related organizations. A minority participant in a joint organization would treat participation as either a joint venture or a jointly governed organization, depending upon the degree of ongoing financial interest or responsibility and make appropriate disclosures.

ACCOUNTING AND REPORTING FOR LEASES

Leases or Leases with Option to Purchase

RCW 28A.310.460 permits the district to enter into contracts with board approval to provide pupil transportation services; rent or lease building space and portable buildings; and rent or have maintained security systems, computers, and other equipment.

The budgets of each ESD shall contain a schedule which identifies that portion of each contractual liability incurred per RCW 28A.310.460 which extends beyond the fiscal period being budgeted. Said schedule shall list for each such contractual liability a brief description, the beginning and ending dates, the total dollar amount, and the estimated dollar amount extending beyond the end of the fiscal period being budgeted.

Accounting for Leases

There are three types of leases: short-term leases, contracts that transfer ownership, and contracts that do not transfer ownership—a catchall for all remaining leases of nonfinancial assets.

Key Definitions:

- *Lease:* A "lease" is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Note: Just because the word "lease" is not in the agreement, does not mean it does not meet the definition of a lease. Not all "leases" meet the definition of lease under GASB Statement No. 87. The substance of the agreement determines its classification.
- *Right to use:* The right to obtain the present service capacity from use of the underlying asset and the right to determine the nature and manner of its use.
- *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 (if reasonably certain the option will be exercised) and periods covered by the lessee's or lessor's option to terminate the lease (if reasonably certain the option will not be exercised). Note that periods for which both the lessee and the lessor have an option to terminate the lease without permission from the other party or if both parties have to agree to extend, are excluded from the lease term. Fiscal funding/cancelation clauses are ignored unless reasonably certain of being exercised.

- *Exclusions*: These activities would be excluded from the scope of lease accounting:
  - Intangible assets—Such as patents and software. Certain sub-lease exceptions apply.
  - Biological assets—Such as timber
  - Leases of inventory
  - Service concession arrangements
  - Assets financed with outstanding conduit debt—Unless both the asset and conduit debt are reported by the lessor
  - Supply contracts
  - Subscription-Based Information Technology Arrangements (SBITAs)

Short-Term Leases

The identification of a short-term lease hinges entirely on the length of the maximum possible noncancelable lease term. If the lease agreement specifies a noncancelable term, after considering the effects of potential extensions (regardless of their likelihood of being exercised), of 12 months or less, the lease is deemed a short-term lease.

Lessee accounting for short-term leases is functionally identical to the accounting for operating leases under FASB 13, requiring entries to be posted only to account for the outflow of resources during each period.

- For GAAP, government-wide and proprietary fund financial statements, these payments are recognized as a rent expense.
- Short-term leases require no additional note disclosures.

Contracts that Transfer Ownership

Lease contracts that transfer ownership are treated explicitly as sales of the asset by the lessor and a purchase of the asset on credit by the lessee. These arrangements can transfer ownership in two ways, both requiring the contract to have no termination options. First, the contract can directly specify ownership is transferred at the end of the life of the lease. Alternatively, the contract can implicitly allow the borrower to continue to hold the property to the end of its life by setting up a fiscal funding or cancellation clause (which only activates if the governmental entity does not provide a provision for the payment of the lease obligation) that is reasonably certain not to be exercised.

All Other Leases: Contracts that do not Transfer Ownership

All leases that do not fall into either of the two categories listed above are treated with a single-model approach and similar to contracts that transfer ownership.

Calculation of the Lease Liability—Schedule of Liabilities

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

- Fixed payments, less any lease incentives receivable from the lessor
- Variable payments based on an index or rate, using the rate as of the beginning of lease
- Variable payments that are fixed in substance
- Residual value guarantees reasonably certain of being required
- Purchase options reasonably certain of being exercised
- Termination penalties, if lease term reflects lessee exercising termination options/fiscal funding clauses
- Any other reasonably certain payments

The lease liability does not include lease payments that are dependent on a lessee's performance or usage of an underlying asset.

The Discount Rate

The discount rate (interest rate) is used to calculate the present value of the contractual obligation. It is the interest rate the lessor charges the lessee. This rate is often not stated in lease agreements. It may be the rate implicit in the lease. If the lease's implicit rate is not readily determinable, the lessee's estimated incremental borrowing rate should be used. This is the rate the lessee would be charged for borrowing the lease payment amounts during the lease term. Documentation of methods and sources used to determine the discount rate for each lease agreement should be retained.

Lease Incentives

Lease incentives are payments made to, or on behalf of the lessee, for which the lessee has a right of offset with its obligation, or other concessions granted to the lessee. Incentives provided after the commencement of the lease term should be accounted for as reductions of lease payments for the periods in which they are provided. If fixed or fixed in substance, the incentive payments should be included in the initial measurement and any re-measurement of the lease receivable and lease liability. Variable or contingent lease incentive payments are not included in the initial measurement.

Modifications

If the lessee's right to use the leased asset decreases, the amendment should be considered a partial or full lease termination (see terminations). A modification to a previously reported lease should be reported as a separate lease if:

- New assets are added and the related increase in payments is consistent with the market price for similar agreements
- If the modification does not meet the criteria to be reported as a separate lease

Lessee:

- Remeasure the lease liability on the effective date of the modification.
- Update the discount rate if any of the following occurs:
  - There is a change in the lease term
  - A change in the likelihood of the lessee exercising a purchase option from reasonably certain to not reasonably certain, or vice versa.

Lessor:

- Remeasure the lease receivable on the effective date of the modification.
- Update the discount rate if any of the following occurs:
  - There is a change in the lease term
  - A change in the likelihood of the lessee exercising a purchase option from reasonably certain to not reasonably certain, or vice versa.

Adjust the deferred Inflow of resources by the difference between the new re-measured receivable and the receivable immediately before the modification. However, to the extent the change relates to payments for the current period, the change should be recognized as a revenue or expense for the current period.

If a change results from a debt refunding by the lessor in which the perceived economic advantages of the refunding are passed through to the lessee, the change should be accounted for as:

- The lessor should adjust the lease receivable to the present value of future lease payments based on the interest rate applicable to the revised lease contract. An adjustment to the deferred inflow of resources should be recognized as either a revenue or expenditure over the remaining life of the old debt or new debt, whichever is shorter.

- If the change results from an advance refunding the lessor must recognize as a revenue or expenditure, any reimbursements to be received from the lessee for costs related to the refunded debt (unamortized discount or premium) over the remaining life of the old debt or new debt, whichever is shorter.

Terminations

The lessor should reduce/remove the lease receivable and related deferred inflow. A gain or loss would be recognized for any difference.

Contracts with Multiple Components

If a district enters into a contract that contains both a lease (such as the right to use a building) and non-lease component (maintenance services for the building), the district should account for the components separately.

If a lease involves multiple underlying assets and the assets have different lease terms, each underlying asset should be accounted for as a separate lease contract. The contract price would then be allocated to the different contracts based on prices for the individual assets.

If the contract does not include individual components or prices are not reasonable, allocate components based on available observable information (market prices). If not practicable, the components may be accounted for as a single lease.

Contract Combinations

Contracts entered into at or near the same time with the same party should be considered part of the same lease contract if either of the following is met:

- Contracts are negotiated as a package with a single objective
- The amount of consideration paid in one contract depends on the price or performance of the other contract.

If multiple contracts are determined to be part of the same contract, that contract is then subject to the guidance for *Contracts with Multiple Components*.

Subleases

The initial lease and sublease should be treated as separate transactions and should not be offset against one another. The original lessee would account for the original lease and sublease separately as the lessee and lessor respectively.

Sale-Leasebacks

A sale-leaseback is defined as the sale of the underlying asset by the owner and a lease of the underlying asset back to the seller. The transaction must qualify as a sale, otherwise the transaction is considered a borrowing activity. The sale and lease transaction are accounted for separately.

Lease-Leasebacks

A lease-leaseback occurs when an asset is leased by one party (first party) to another party, then leased back to the first party. The transaction should be accounted for as a net transaction.

Prepaying a Lease

If a lease is prepaid, there is no "financing" and so the amount received by the lessor is already considered the present value. The lessor amortizes the lease receivable and deferred inflow at the total amount of the monthly payments.

Leases Between Related Parties

When leases are made between related parties, the substance of the transaction determines the reporting. For example, the agreement between the district and the related party meets the criteria to be reported as a short-term lease. However, there is an understanding between the district and the related party the lease will be extended over several years. In this example, the lease would not be appropriately reported as a short-term lease.

Capitalization Threshold for Leases

ESDs may establish a lease liability threshold for leases that are clearly insignificant individually and in the aggregate. This threshold defines the dollar amount at which a lease with a maximum possible term of more than one year will be classified as a lease liability. A district may establish a single capitalization threshold for all leases or different capitalization thresholds for different classes of leases. The threshold should be established at a small enough level such that the leases excluded would be clearly insignificant to financial reporting in aggregate. In establishing a threshold, districts should consider the different types and groups of leases they have, and management information needs.

Accounting for Leases-Lessee

For ESDs that prepare GAAP, government-wide and proprietary fund financial statements: Lessees will be required to recognize:

- A right-of-use asset

    - The asset's initial balance will equal the liability plus additional payments for initial direct costs made to the lessor on or before the start of the lease term.
    - The right-of-use asset is classified as an intangible
    - The value of the asset is amortized in a systematic manner over the shorter period of the lease term or the useful life of the asset
- The related lease liability measured at the present value of effectively fixed minimum lease payments
- Interest expense over time; based on the current balance of the lease and the implicit interest rate charged to the lessee
- Lessee note disclosures include: A description of leasing arrangements; a summary of lease assets' historical cost and accumulated amortization by type of asset; and a delineation of principal and interest payments required over each of the next five years and beyond, grouped in five-year increments
- Special lease transactions, such as subleases and sale-leaseback transactions, will require separate disclosures.

Accounting for Leases-Lessor

As the lessor in a financing arrangement, and at the start of the lease term, a lessor should recognize a lease receivable and a deferred inflow of resources.

- (DR) Lease Receivable: Initially measured at the present value of lease payments expected to be received during the lease term
- (DR) Cash (possible entry): For any lease payments received prior to the start of the lease
- (CR) Deferred Inflow: Measured as the sum of the initial measurement of the lease receivable, plus any lease payments received prior to the start of the lease, less any lease incentives

Lease payments received from the lessee result in:

- (DR) Cash
- (CR) Reduction of the lease receivable
- (CR) Recognition of interest income. This is a non-operating revenue.
- (DR) Reduction of the Deferred Inflow in a systematic and rational manner
- (CR) Recognition of lease revenue.

Illustrated Accounting Entries for GAAP, Government-wide and Proprietary Fund Financial Reporting for the Lessee

As an example of accounting for a lease agreement, assume an ESD signs a lease to pay $1,000 on September 30, 2023, the scheduled date of delivery of certain equipment. The lease payments are $1,000 per month for sixty months for a total of $60,000.

For GAAP accounting, the lessee is required to calculate the present value of the minimum lease payments as the liability under the lease agreement. Assuming the discount rate on the lease is three percent, the present value of the lease is calculated: (Using the Present Value function tool in Excel, (.0025, 60, -1000,0,1), the present value of the minimum lease payments is $55,791.

For GAAP accounting, the ESD recognizes a "right-to-use" asset at the inception of the lease and a lease liability. The lease liability will be measured at the present value of effectively fixed minimum lease payments. The right-of-use asset is classified as an intangible. Lessees will be required to amortize the value of the asset in a systematic and rational manner over the shorter period of the lease term or the useful life of the asset. The asset's initial balance will equal the liability plus additional payments for initial direct costs made to the lessor on or before the start of the lease term.

Summary Lessee Schedule with Asset and Amortization						
Year	Total Payments	Principal	Interest	Lease Balance	Amortization	Asset Balance
				55,791		55,791
1	12,000	10,613	1,387	45,178	11,158	44,633
2	12,000	10,792	1,208	34,386	11,158	33,475
3	12,000	11,120	880	23,266	11,158	22,317
4	12,000	11,459	541	11,807	11,158	11,158
5	12,000	11,807	193	0	11,158	0
Total	60,000	55,791	4,209		55,791	

The General Expense Fund's acquisition of equipment with a lease:

General Ledger Account	Subsidiary Ledger Required	Account Title	Debit	Credit
The General Fund's Acquisition of Equipment With a Lease				
		Lease Asset (Right-to-Use)	55,791	
		Lease Liability		55,791
To record the acquisition of equipment with a lease.				

To record the twelve-monthly lease payments in year 1

General Ledger Account	Subsidiary Ledger Required	Account Title	Debit	Credit
		Lease Liability	10,613	
		Expenditures—Debt Service—Interest	1,387	
		Leases Payable		12,000
To record the Year-1 Monthly lease payment.				

To record the first year amortization of the lease asset.

General Ledger Account	Subsidiary Ledger Required	Account Title	Debit	Credit
		Amortization Expense	11,158	
		Lease Asset (Right-to-Use)		11,158
To record the First Year Amortization of the Lease Asset.				

Illustrated Accounting Entries for GAAP, Government-wide and Proprietary Fund Financial Reporting for the Lessor

Using the same values described in the lessee scenario, an ESD that leases property to another organization recognizes a lease receivable and the deferred inflow on the present value of the minimum lease payments. The following example is for a 60 month lease, with payments of $1,000 per month, at a discount rate of 3% (present value of total lease payments = $55,791):

Summary Lessor Schedule with Deferred Inflow and Amortization						
Year	Total Payments	Receivable Reduction	Interest Income	Lease Receivable Balance	Lease Income	Deferred. Inflow Balance
				55,791		55,791
1	12,000	10,613	1,387	45,178	11,158	44,633
2	12,000	10,792	1,208	34,386	11,158	33,475
3	12,000	11,120	880	23,266	11,158	22,317
4	12,000	11,459	541	11,807	11,158	11,158
5	12,000	11,807	193	0	11,158	0
Total	60,000	55,791	4,209		55,791	

Calculations and journal entries below are based on summary amortization table (actual lease payments are made monthly):

The initial recording of the lease

General Ledger Account	Subsidiary Ledger Required	Account Title	Debit	Credit
345		Leases—Receivable	55,791	
755		Deferred Inflow–Leases		55,791
To Recognize Lease Contract.				

Recording the first-year lease payments received.

General Ledger Account	Subsidiary Ledger Required	Account Title	Debit	Credit
240		Cash	12,000	
345		Leases—Receivable		10,613
960	Yes	Other Interest Income		1,387
To Recognize the First Year Lease Payment				

To record the first-year entry to reduce the Deferred Inflow and recognize the lease income.

General Ledger Account	Subsidiary Ledger Required	Account Title	Debit	Credit
755		Deferred Inflow–Leases	11,158	
960	Yes	Lease Income		11,158
To Recognize Lease Income and Adjust Deferred Inflows.				

Under GAAP, full-accrual, the district continues to recognize the leased property as an asset and depreciate (if applicable).

Accounting for Subscription-Based Information Technology Arrangements (SBITAs)

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. 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. ESDs should recognize the subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service.

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.

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).

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 ESD, which may be implicit, or the district's incremental borrowing rate if the interest rate is not readily determinable. ESDs should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.

To the extent relevant, the accounting guidance for SBITAs is based on the standards established under GASB Statement 87—Leases and described in the previous section on Leases.

ACCOUNTING AND REPORTING FOR FIDUCIARY FUNDS

Fiduciary Funds are used to account for resources in situations where the government is acting as a trustee or agent for parties outside the government. Fiduciary Funds *cannot* be used to support the government's own programs. Although GAAP provides for four Fiduciary Fund types: Pension (and Other Employee benefit) Trust Funds; Investment Trust Funds; Private-Purpose Trust Funds; and Custodial Funds, most educational service districts will only have two types: Private-Purpose Trust Funds and Custodial Funds.

Fiduciary Fund reporting focuses on net position and changes in net position. Fiduciary funds should be used to report assets held in a trustee or custodial capacity for others and cannot be used to support the government's own programs.

Trust Funds

Pension (and Other Employee Benefit) Trust Funds

Pension and employee benefit plans are administered by other state agencies, such as the Department of Retirement Systems or the Health Care Authority. They are reported by those entities and not reported as trusts by the ESDs.

Pension (and other employee benefit) trust funds are used to report fiduciary activities for the following:

- Pension plans and OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of GASB Statement 67 or paragraph 3 of Statement 74, respectively.
- Other employee benefit plans for which resources are held in a trust that meets the criteria in GASB Statement 84, paragraph 11c (1); and also, contributions to the trust and earnings on those contributions are irrevocable.

Pension (and other employee benefit) trust funds are used to report resources held by the district in trust for members and beneficiaries of defined benefit pension plans, defined contribution plans, or other post-employment or other benefit plans administered by the district. If the ESD has established its own deferred compensation plans under Internal Revenue Code Section 457, GASB 32 requires this to be accounted for as pension (or other post-employment benefit) trust funds if the district has fiduciary accountability for the plan.

Investment Trust Funds

Not applicable to ESDs in Washington State.

Private-Purpose Trust Funds

Private-purpose trust funds are used to report all fiduciary activities *not* required to be reported in pension (and other employee benefit) trust funds and are held in a trust in which the assets are:

- Administered through a trust in which the government itself is *not* a beneficiary,
- Dedicated to providing benefits to recipients in accordance with the benefit terms, and
- Legally protected from the creditors of the government.

These funds are used to report trust arrangements under which the income and principal benefits individuals, private organizations, or other governments. Examples are moneys or other assets donated to ESDs for scholarship, student aid, charitable, and other like uses. The authority to use the resources comes from the donor who specifies a use or range of allowed uses for assets to be held in trust and, accordingly, the ESD board of directors has the authority to determine the use of the assets only within the confines of the original trust agreement. For this reason, the board of directors are required to formalize by board resolution the acceptance of any moneys or other assets to be held in trust.

When established, the Private-Purpose Trust Fund will account for one or more individual trusts, so it will not be necessary to have several trust funds established in the district's accounting records. Thus, the balance of assets in the trust fund will consist of an aggregate of balances of individual trusts.

Custodial Funds

Beginning with the implementation of GASB Statement 84, the term Agency Fund is replaced with Custodial Funds. The GASB Board concluded that the title *agency fund* often is confused with *agencies* of the government. The Board, therefore, established the custodial fund classification to address this issue.

Custodial funds are used to report fiduciary activities that are *not* required to be reported in pension (and other employee benefit) trust funds or private-purpose trust funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

Custodial Funds differs from a Private Purpose Trust fund in that there is no formal trust agreement. The ESD is acting in an agent capacity for some other organization, government, individual, or fund. They are used where the government's role is purely custodial, such as the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. The modified accrual basis of accounting is used to measure financial position.

Fiduciary Activity Criteria

An activity is a fiduciary activity **if all** of the following criteria are met:

- The assets associated with the activity are controlled by the ESD. An ESD controls the assets if it (a) holds the assets or (b) has the ability to direct the use, exchange, or employment of the assets in a manner that provides benefits to the specified or intended recipients.

- The assets associated with the activity **are *not*** derived either:
  - Solely from the ESD's own-source revenues. An applicable example of own-source revenue includes investment earnings.
  - From government-mandated nonexchange transactions or voluntary nonexchange transactions with the exception of pass-through grants for which the ESD **does *not*** have administrative involvement or direct financial involvement. A recipient ESD has administrative involvement if, for example, it (a) monitors secondary recipients for compliance with program-specific requirements, (b) determines eligible secondary recipients or projects, even if using grantor-established criteria, or (c) has the ability to exercise discretion in how the funds are allocated. A recipient ESD has direct financial involvement if, for example, it finances some direct program costs because of a grantor-imposed matching requirement or is liable for disallowed costs.

An activity is a fiduciary activity if the assets associated with the activity have **one or more** of the following characteristics:

- The assets are (a) administered through a trust in which the ESD itself is *not* a beneficiary, (b) dedicated to providing benefits to recipients in accordance with the benefit terms, and (c) legally protected from the creditors of the ESD.
- The assets are for the benefit of individuals and the ESD **does *not*** have administrative involvement with the assets or direct financial involvement with the assets. In addition, the assets are *not* derived from the ESD's provision of goods or services to those individuals.
- The assets are for the benefit of organizations or other governments that are *not* part of the financial reporting entity. In addition, the assets are *not* derived from the ESD's provision of goods or services to those organizations or other governments.

Trust Instruments

Each trust within the district's trust fund or funds shall be accepted under the terms of a separate trust agreement to be entered into by the district and the donor at the time the donation is accepted. Such trust instruments shall stipulate the terms under which moneys may be expended by the district, and shall be ratified by board resolution. Unless otherwise directed by the board, the trust instrument shall constitute an appropriation and authorization for the disbursement of moneys for the purposes established in the trust instrument. Where the donor imposes no specific conditions, a gift may be accepted by board resolution and recorded in a trust activity account that pools similar gifts.

Establishment of Private-Purpose Trust Funds

The establishment in the district's accounting records of a Private-Purpose Trust Fund as deemed appropriate by the board of directors is strongly encouraged as a prerequisite whenever the board of directors chooses to accept, receive or administer for scholarship or student aid purposes, or for the benefit of the ESD any gift, grant, conveyance, devise, or bequest of real or personal property under the authority of RCW 28A.320.030.

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CHAPTER 3 – CHART OF ACCOUNTS

GENERAL LEDGER ACCOUNTS

Introduction

A general ledger is basic to an accounting system. The general ledger of a fund is a summary record containing the balance of assets, liabilities, deferred revenues, fund balance, and control accounts that summarize estimated and actual revenues, appropriations, expenditures, and encumbrances.

Subsidiary records and accounts are sometimes used to provide a detailed analysis of a general ledger account. When subsidiary accounts are used, the general ledger account is considered a control account. For budgeting and financial reporting, two subsidiary ledgers are required, one for expenditures and one for revenues. The subsidiary ledgers will provide details of the general ledger control accounts such as 530 Expenditures and 960 Revenues. Control accounts are identified on the general ledger account matrix by fund. Other subsidiary accounts may be used locally but are not required in budgeting and financial reporting.

Books of original entry, such as journals and registers, will vary with the type of system used. They provide the necessary means to accumulate the financial transactions for posting to revenue, expenditure, and general ledger accounts.

A system may include the following books of original entry:

- General Journal
- Cash Receipts Journal
- Cash Disbursements Journal
- Encumbrance and Liquidation Register
- Payroll Journal
- Voucher Register (Optional)

The following is a complete list of general ledger accounts for the General Expense Fund:

General Ledger Account Listing

Assets

200 Imprest Cash
230 Cash on Hand
240 Cash and Cash Equivalents
241 Warrants Outstanding
340 Accounts Receivable
344 Reinsurance Receivable—Current
345 Leases Receivable
360 Interest Receivable
361 Assessments Receivable—Long-Term
410 Inventory—Supplies and Materials
430 Prepaid Items
450 Investments
452 Restricted Assets
475 Amount Available for Debt Service
480 Amount to be Provided for Debt Retirement
490 Capital Assets—Land
491 Capital Assets—Buildings
492 Capital Assets—Pupil Transportation Equipment
493 Capital Assets—Equipment and Leasehold Improvements
494 Capital Assets—Construction in Progress
497 Capital Assets—Lease Assets
498 Accumulated Depreciation—Buildings
499 Accumulated Depreciation—Equipment

Budgetary and Expenditure Accounts

510 Estimated Revenues
515 Estimated Other Financing Sources
520 Encumbrances
530 Expenditures or Expenses
535 Other Financing Uses
540 Appropriated Fund Balance

Liabilities

601 Accounts Payable

602 Contracts and Notes Payable—Current
603 Contracts Payable—Long-Term
604 Accrued Interest Payable
605 Accrued Salaries
607 Estimated Vacation Leave Payable
608 Estimated Sick Leave Payable
610 Payroll Deductions and Taxes Payable
615 Leases Payable—Current
620 Estimated Claims Liability—Current
625 Estimated Claims Liability—Long-Term
630 Claims Reserve—Current
631 Claims Reserve—Prior
632 Incurred But Not Reported (IBNR)—Current
633 Incurred But Not Reported (IBNR)—Prior
634 Estimated Claims Settlements—Long-Term
635 Future L&I Assessments
636 Estimated Unallocated Loss Adjustment
637 Deferred Compensation Payable
650 Deposits
655 Unearned Revenue
660 Net Pension Liability
661 Net OPEB Liability
670 Leases Payable—Long-Term
680 Bonds Payable
690 Notes Payable—Long-Term

Deferred Inflows and Outflows of Resources

710 Deferred Outflows of Resources
711 Deferred Outflows of Resources Pension Plans
716 Deferred Outflows of Resources OPEB Plans
750 Deferred Inflows of Resources
751 Deferred Inflows of Resources Pension Plans
756 Deferred Inflows of Resources OPEB Plans
760 Unavailable Revenue—Leases

Fund Equity and Net Position

810 Net Investment in Capital Assets
830 Restricted for Debt Service

845 Restricted for Risk Pool Net Position
850 Restricted for Self-Insurance
865 Restricted for Other Items
880 Instructional Support Programs
881 Noninstructional Support Programs

Unrestricted Net Position

(Note: All unrestricted equity accounts crosswalk to 890)

890 Unrestricted Fund Balance
892 Unrestricted Fund Balance Net Pension Liability
893 Unrestricted Fund Balance Net OPEB Liability

Budgetary, Revenue, and Other Financing Sources

900 Appropriations
960 Revenues
965 Other Financing Sources

Explanation of General Ledger Accounts

Assets

200 Imprest Cash

This account is used to segregate and control petty cash and other imprest cash as established by the board of directors.

230 Cash on Hand

This account is used to record all cash received prior to remitting to the county treasurer. Cash on hand or in banks will be recorded in this account.

240 Cash and Cash Equivalents

This account is used to record cash and cash equivalents on deposit with the county treasurer.

241 Warrants Outstanding

This account is used to record all warrants issued and redeemed.

340 Accounts Receivable

This account is used to record accounts owed to the educational service district not recorded in other accounts. Amounts due for claims, damages, tuition, etc., are recorded in this account. Entries may be made in this account as transactions occur, or may be recorded at year-end.

344 Reinsurance Receivable—Current

345 Leases Receivable
This account is used to record leases owed to the school district by private persons, firms, or others. Entries may be made to this account as transactions occur or they may be recorded at year-end.

360 Interest Receivable
This account is used to record the amount of interest due on investments. To be susceptible to accrual, the interest income must be measurable and available to finance expenditures of the current fiscal period.

361 Assessments Receivable—Long-Term

410 Inventory—Supplies and Materials
This account is used to record acquisition and use of supplies and materials. The balance represents supplies and materials in inventory.

430 Prepaid Items
This account is used to record items or services purchased that will not be consumed or used entirely in the current fiscal year. This account is not used for contracts that are paid when the goods or services are completely received within the fiscal year. Record only amounts that have been paid.

450 Investments
Temporary investments of moneys, as permitted by statute, are to be recorded in this account.

452 Restricted Assets
Monies or other resources, the use of which are restricted by legal or contractual requirements.

475 Amount Available for Debt Service
This account is used to indicate the fund balance in the debt service fund designated for retirement of bonds. The balance in this account (Account 470) should equal the fund balance (Account 890) in the debt service fund. Note: Use only if long-term debt "holding" account is used.

480 Amount to be Provided for Debt Retirement
This account is used to reflect the total amount of bonds and long-term contracts issued and outstanding. This account is debited at the time of the sale of bonds with the face value of bonds sold. This account is also debited at the time a long-term contract is approved. Note: Use only if long-term debt "holding" account is used.

490 Capital Assets—Land and Land Improvements

491 Capital Assets—Buildings and Building Improvements

492 Capital Assets—Pupil Transportation Equipment

493 Capital Assets—Equipment and Leasehold Improvements

494 Capital Assets—Construction in Progress

497 Capital Assets—Lease Assets

498 Accumulated Depreciation—Buildings

499 Accumulated Depreciation—Equipment

Budgetary and Expenditure Accounts

510 Estimated Revenues
This account is one of several budgetary accounts used to record and summarize all budgetary actions of the board of directors. It will not be used to record actual revenues. Details of the amounts comprising estimated revenues would be incorporated in the subsidiary revenue ledger.

515 Estimated Other Financing Sources
This account is a budgetary account used to record and summarize budgetary action for the board of directors for estimated other financing sources that are proceeds from insurance recoveries for loss of capital assets, the sale of equipment and transportation vehicles, and the sale of bonds. In the capital projects fund this also includes proceeds from the sale of real property and proceeds from the sale of equipment (only if bonds are still outstanding that provided resources to buy the property or equipment.) It will not be used to record actual other financing sources.

Details of the amounts comprising estimated other financing sources are incorporated in the subsidiary other financing sources ledger.

520 Encumbrances
This account is used to record district commitments to purchase goods or services typically evidenced by purchase orders and contracts. Detail of this account will be maintained in the appropriation expenditure ledger. This is a budgetary account only. The balance of this account prior to the fiscal year's closing will represent total outstanding encumbrances.

530 Expenditures and Expenses
This account is used to record expenditures. Expenditures include both disbursement and accruals. Accruals may be recorded as incurred, but they must be recorded at the end of the fiscal year. Details of the expenditure account will be maintained in the expenditure ledger.

535 Other Financing Uses
Record outflows of financial resources from the ESD that are infrequent in nature. Expenditures relating to bond sales and bond refinancing transactions are also recorded here.

540 Appropriated Fund Balance
This account will be used to record a budget surplus or deficit.

Liabilities

601 Accounts Payable
This account is used to record unpaid liabilities for goods received and not provided for in Accounts 602 through 650. This account may be used throughout the year in connection with a voucher register.

602 Contracts and Notes Payable—Current
This account is used to record the matured liabilities for goods received or services performed under contractual agreements. This account is used to record the matured portion of long-term contractual liabilities accounted for in the long-term debt group of accounts. Also, include in this account new contractual liabilities to be fully paid from current year appropriations.

603 Contracts Payable—Long-Term
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 educational service district obtains goods or services by the end of the current fiscal year and final payment for those goods or services will be made from the appropriation for a subsequent fiscal year. Such agreements include conditional sales contracts, installment purchases, and lease-purchase agreements.

604 Accrued Interest Payable
This account is used to record interest costs related to the current period and prior periods, but not due until a later date. Include in this account cash received for accrued interest generated because bonds were sold between interest payment dates.

605 Accrued Salaries
Record amounts of unpaid salaries earned for services.

607 Estimated Vacation Leave Payable
This account is used to record vacation leave earned but not paid. The current portions of these accounts are those amounts normally expected to be liquidated with expendable available financial resources. These should be recorded in the fund that will liquidate the liability.

608 Estimated Sick Leave Payable
This account is used to record sick leave earned but not paid. The current portions of these accounts are those amounts normally expected to be liquidated with expendable available financial resources. These should be recorded in the fund that will liquidate liability.

610 Payroll Deductions and Taxes Payable
This account is used to record payroll deductions and employers' share of payroll taxes and health insurance. Subsidiary accounts will be needed for O.A.S.I., state employees' retirement, federal income tax withheld, industrial insurance and medical aid, health and medical insurance, health and medical insurance premiums, and annuities.

615 Leases Payable—Current
This account is used to record the matured liabilities for equipment and furniture received or services performed under lease agreements. This account is used to record the matured portion of long-term lease liabilities.

620 Estimated Claims Liability—Current

625 Estimated Claims Liability—Long-Term

630 Claims Reserve—Current

631 Claims Reserve—Prior Year

632 Incurred But Not Reported (IBNR)—Current

633 Incurred But Not Reported (IBNR)—Prior Year

634 Estimated Claims Settlements—Long-Term

635 Future L&I Assessments

636 Estimated Unallocated Loss Adjustment

637 Deferred Compensation Payable

650 Deposits
This account is used to record deposits that may be refunded at a later date (e.g., damage deposits).

655 Unearned Revenue

660 Net Pension Liability

661 Net OPEB Liability

670 Leases—Long-Term
This account is for outstanding principal on leases. Subsidiary accounts should be maintained for each lease. Refer to Chapter 2 for accounting for leases.

680 Bonds Payable

690 Notes Payable—Long-Term

Deferred Inflows and Outflows of Resources

<u>710 Deferred Outflows of Resources</u>
This account is used to account for deferred outflows of resources. Deferred outflows of resources are the consumption of net resources (e.g., a decrease in assets greater than an increase in liabilities) applicable to a future accounting period.

<u>711 Deferred Outflows of Resources Pension Plans</u>

<u>716 Deferred Outflows of Resources OPEB Plans</u>

<u>750 Deferred Inflows of Resources</u>
This account is used to account for deferred inflows of resources. Deferred inflows of resources are the acquisition of net resources (e.g., an increase in assets greater than an increase in liabilities) applicable to a future accounting period. For example, an ESD receives payment in one fiscal year to provide training that will take place the following fiscal year. That payment is recorded as a Deferred Inflow of Resources.

<u>751 Deferred Inflows of Resources Pension Plans</u>

<u>756 Deferred Inflows of Resources OPEB Plans</u>

<u>760 Unavailable Revenue—Leases</u>
Record in this account amounts equals the present value of the minimum lease payments as recorded in Account 345 Leases Receivable. Also record in this account any lease payments received prior to the start of the lease, less any lease incentives.

This account will be used to amortize and recognize lease revenue. Subsequent accounting entries in this account for revenue recognition are based on an amortization of this Deferred Inflow. Revenue recognition is based on an amortization schedule; calculated in a rational and systematic manner over the life of the lease; and as funds become available. Entries may be made to this account as transactions occur or they may be recorded at year-end.

Fund Equity and Net Position
Net position should be reported on the financial statements in three components: Net investment in capital assets; restricted net position and unrestricted net position.

Net Investment in Capital Assets

810 Net Investment in Capital Assets
Net investment in capital assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and outstanding balances of any bonds, mortgages, notes, or other borrowings attributable to the acquisition, construction, or improvement of the assets reduce this amount.

Outstanding balances of bonds should be reduced for any unspent related debt proceeds at year-end. Such unspent proceeds should be included in restricted for capital projects (see below).

830 Restricted for Debt Service
This account provides the means to restrict fund balance for the payment of contractual obligations incurred. The balance of this account represents a restriction of fund balance.

845 Restricted for Risk Pool Net Position
This account is used to record and restrict the net position of risk pools operated by the ESD. Some examples include cooperative agreements that include provisions for the redistribution of assets upon dissolution of the cooperative, including shared insurance risk pools.

850 Restricted for Self-Insurance
This account is used to reserve a portion of fund balance for future losses not covered by insurance. The amounts put in this account are either required under self-insurance rules or determined by the board of directors. Contra entries are made to Account 890 Unreserved, Undesignated Fund Balance.

865 Restricted for Other Items
This account is used to restrict resources for other items as required by the resource provider or enabling legislation. Some examples include funds from non-governmental donors that are subject to donor directed restrictions and accountability reporting.

880 Instructional Support Programs
This account is used to accumulate the resources available to the operation of those expenditure programs listed under instructional support. Certain resources tracked in this equity account include Early learning funds from pay point contracts or program

income: ECEAP and Child Care Aware (CCA) both impose restrictions on the use of resources and accountability for residual funds.

881 Noninstructional Support Programs
This account is used to accumulate the resources available to the operation of those expenditure programs listed under noninstructional support. Some examples include state resources provided for bus depreciation (RCW 28A.160.200; RCW 28A.160.130; WAC 392-141-310 (2)) and Regional Transportation funds which are directed and managed at the direction of OSPI; fund utilization is not controlled by the regional ESD.

885 Restricted for Joint Ventures
This account is used to set aside resources, contractually restricted, for operations that relate to joint ventures of the ESD.

Unrestricted Net Position
General Ledger account codes provided for unrestricted net position segregate equity for internal purposes. *Unrestricted net position* are those remaining resources that do not meet the definition of either of the first two components.

Management frequently designates resources for specific purposes. This is an internal restriction that may be changed or removed by management and is therefore not considered to be a restriction under generally accepted accounting principles. Such funds should be reported in the financial statements as an "unrestricted net position".

890 Unrestricted Fund Balance
After the closing of the budgetary, revenue, other financing sources, and expenditure accounts, this account is equal to the excess of assets over liabilities and reserves. The net result of general fund operations is summarized in this account.

892 Unrestricted Fund Balance for Net Pension Liability
This account is used to specifically identify the deficit caused by the Net Pension Liability. This account is required to be combined with GL 890 on the Statement of Net Position in the Unrestricted classification.

893 Unrestricted Fund Balance for Net OPEB Liability
This account is used to specifically identify the deficit caused by the Net OPEB Liability. This account is required to be combined with GL 890 on the Statement of Net Position in the Unrestricted classification.

Budgetary, Revenue, and Other Financing Sources

900 Appropriations
This account is one of the several budgetary accounts used to summarize all the budgetary actions of the board of directors. This account is used to record the total planned expenditures. The subsidiary account will be incorporated with the expenditure ledger.

960 Revenues
This account is used to record actual revenues supported by subsidiary account codes 10 through 89. Revenues include both receipts and accruals. This account is not used for refund of expenditures.

965 Other Financing Sources
This account is used to record actual other financing sources supported by subsidiary accounts 90 through 99. This account includes both receipts and accruals. Accruals should be recorded when measurable and available.

REVENUE ACCOUNTS

Introduction

Under the uniform system of revenue classification, revenues are classified by source, program, subprogram, and fiscal year. This classification system will permit the identification of revenues by source and facilitate the preparation of reports and administration of budgets by source and program.

Revenues are classified using a code as follows:

PP (Program Code)
SS (Subprogram Code)
RR (Revenue Code) *
YYY (Year Code)

*Only the revenue code is required to be reported to OSPI.

Adding positions after the fiscal year code to meet individual educational service district requirements can expand this code.

Subsidiary revenue accounts are created for specific revenues by use of this code. The subsidiary accounts are summarized in General Ledger Accounts 960 Revenues and 965 Other Financing Sources and are controlled by establishing estimates in Account 510 Estimated Revenues and Other Financing Sources. The subsidiary account numbers, titles, and descriptions change from time to time as the result of legislative appropriations in both the state and federal government. The coding is arranged so expansion of minimum accounts can be accomplished without modification of the entire coding system.

Revenues are recorded by a unique two-digit number that identifies the type of revenue by general sources. Further specificity of revenue is obtained by coding of revenues that relate to program, subprogram, and fiscal year coding that correlate to expenditure codes.

Listed on the next pages are the revenue source codes. Codes other than those listed cannot be used. The Office of Superintendent of Public Instruction, in cooperation with the educational service districts, will add additional codes when necessary.

General Source Account Numbers and Titles

10 through 29	Local Government Sources
30 through 49	State Government Sources
50 through 69	Federal Government Sources
70 through 79	Payments for Cooperative Programs
80 through 89	Payments for Other Programs
90 through 99	Other Financing Sources

Specific Source Account Numbers and Titles

Account Number and Account Title

Local Government Sources (Revenue Codes 10–29)

12 Tuition and Fees
13 Sale of Goods, Supplies, and Services
14 Food Services Fees and Charges
15 School Bus Fees and Charges
16 Investment Earnings
17 Gifts and Donations
19 Rental of Property

20 Insurance Recoveries
21 Certification Fees
22 Precertification Fees
23 E-Rate
29 Local Sources, Unassigned

State Government Sources (Revenue Codes 30–49)

31 ESD Allotment
32 Special Education
34 State Institutions, Centers, and Homes—Delinquent
35 State Institutions—Juveniles in Adult Jails
36 Special, Pilot, or Enhancement Programs
37 Nursing Services
38 Traffic Safety Education
39 State General Purpose, Unassigned
40 Early Childhood
41 Transportation—Operations
42 Transportation Reimbursement—Depreciation
43 Other State Agencies
49 State Special Purpose, Unassigned

Federal Government Sources (Revenue Codes 50–69)

51 Special Education, IDEA
53 Remediation
54 Migrant
58 Mathematics and Science
60 School Food Services
61 Head Start
62 Youth Training Programs
63 USDA Commodities
67 Qualified Bond Tax Credit Payments
68 Federal CARES Act Grants
69 Federal Special Purpose, Unassigned

Payments for Cooperative Programs (Revenue Codes 70–79)

71 Payments from School Districts in Washington
72 Payments from School Districts in Other States
73 Payments from Other Entities

Payments for Other Programs (Revenue Codes 80–89)

81 Payments from School Districts in Washington
82 Payments from School Districts in Other States
83 Payments from Other Entities

Other Financing Sources (Revenue Codes 90–99)

92 Sale of Real Property
93 Sale of Personal Property
94 Compensated Loss of Capital Assets
95 Long-Term Financing
96 Change in Joint Venture Equity

Description of Revenue Accounts

Local Government Sources (Revenue Codes 10–29)

<u>12 Tuition and Fees</u>
Record revenue from tuition and fees paid for by students or adults for instruction or staff development activities including adult job training activities.

<u>13 Sale of Goods, Supplies, and Services</u>
Record revenue from the sale of goods, supplies, and services.

<u>14 Food Services Fees and Charges</u>
Record revenue collected locally in the form of cash from students or adults for lunches, breakfasts, milk, or a la carte food items.

<u>15 School Bus Fees and Charges</u>
Record revenue collected locally from bus riders for the use of pupil transportation equipment.

<u>16 Investment Earnings</u>
Record revenue from investments. This also includes earnings from depository bank accounts. Investment service fees charged by the County Treasurer or other qualified depositories should be netted from the earning amount recorded as district revenue.

<u>17</u> <u>Gifts and Donations</u>
Record revenue from gifts, grants, conveyances, devices, and bequests of personal or real property, in trust or otherwise, for use or benefit of the ESD.

<u>19</u> <u>Rental of Property</u>
Record revenue from the lease, rental, or occasional use of ESD property. Revenues derived from pupil transportation vehicles shall be recorded under Revenue Account 15.

<u>20</u> <u>Insurance Recoveries</u>
Record revenue from an insurer for damage incurred by the district. Insurance recoveries for capital assets should be recorded in Revenue Account 94 Compensated Loss of Capital Assets.

<u>21</u> <u>Certification Fees</u>
Record revenue from the state certification fees dedicated for the purpose of providing staff in-service.

<u>22</u> <u>Precertification Fees</u>
Record revenue from the state certification fees dedicated for the purpose of providing precertification training.

<u>23</u> <u>E-Rate</u>
Record revenue from the Universal Service fund discounts for telecommunications, Internet access, and internal connections.

<u>29</u> <u>Local Sources, Unassigned</u>
Record revenue from any local source for which a specific revenue account has not been provided.

State Government Sources (Revenue Codes 30–49)

<u>31</u> <u>ESD Allotment</u>
Record revenues from the state general fund for the operation of basic ESD services.

<u>32</u> <u>Special Education</u>
Record revenue from the state for programs that provide for the education of students with disabilities, including preschool.

34 State Institutions, Centers, and Homes—Delinquent
Record revenue from the state in support of the following programs: State-operated group homes, juvenile parole learning centers, juvenile detention centers, and institutions for juvenile delinquents.

35 State Institutions—Juveniles in Adult Jails
Record revenues received from the state for the purposes of providing an educational program to juveniles who are incarcerated in adult jail facilities.

36 Special, Pilot, or Enhancement Programs
Record revenue from the state for special, pilot, or enhancement programs.

37 Nursing Services
Record revenue from the state for nursing services.

38 Traffic Safety Education
Record revenue for the reimbursements from the state for traffic safety education courses and consulting.

39 State General Purpose, Unassigned
Record revenue for general purposes from the state for which a specific account has not been provided.

40 Early Childhood
Record state revenue for programs serving preschool students.

41 Transportation—Operations
Record revenue from the state allocation for the operation of the pupil transportation program.

42 Transportation Reimbursement—Depreciation
Record revenue from the state allocation for the acquisition of student vehicle transportation. This yearly allocation is based on either the depreciation or replacement cost of the existing bus fleet. Depreciation or replacement cost depends on the date when the vehicle was acquired.

43 Other State Agencies
Record revenue for special purposes from state agencies other than OSPI.

49 State Special Purpose, Unassigned
Record revenue from the state for special purpose programs for which a specific revenue account has not been provided. This includes amounts paid to the ESD by OSPI for ESD employees to attend meetings or conferences sponsored by OSPI.

Federal Government Sources (Revenue Codes 50–69)

51 Special Education, IDEA
Record revenue from grants to assist in providing a free appropriate public education to all students with disabilities. This revenue has non-supplanting, excess cost, and maintenance of effort requirements.

53 Remediation
Record revenue for the educational needs of disadvantaged children.

54 Migrant
Record revenue arising from claims filed for expenditures of educational remediation programs for the children of migratory agricultural workers or fishers.

58 Mathematics and Science
Record revenue for mathematics and science issued by the federal government.

60 School Food Services
Record revenue from the federal government, based on the number of reimbursable student lunches, breakfasts, and milk served.

61 Head Start
Record revenue for Head Start that provides funding for preschool programs for low-income families.

62 Youth Training Programs
Record revenue from federal grants for training youth.

63 USDA Commodities
Record as revenue the value of USDA commodities, including cash-in-lieu of commodities, distributed during the year. The value of the commodities is determined by the USDA and reported to the districts by OSPI in the commodities shipment distribution schedule, (Report M-150.)

67 Qualified Bond Tax Credit Payments
Record payments received from the Department of the Treasury for interest subsidy payments for qualified tax credit bonds. Eligible bonds include Build America Bonds issued between February 19, 2009 and December 31, 2010, as well as Qualified School Construction Bonds and Qualified Zone Academy Bonds issued after March 18, 2010.

68 Federal CARES Act Grants
Record revenue from any federal grants authorized under the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020.

69 Federal Special Purpose, Unassigned
Record revenue from any federal special purpose source not assignable to a specific revenue account.

Payments for Cooperative Programs (Revenue Codes 70–79)

71 Payments from School Districts in Washington
Record revenue for programs funded on a cooperative basis pursuant to RCW 28A.310.180 or chapter 39.34 RCW. Use this revenue account to record fees collected from districts that will be remitted to WSIPC.

72 Payments from School Districts in Other States
Record revenue for programs funded on a cooperative basis pursuant to RCW 28A.310.180 or chapter 39.34 RCW.

73 Payments from Other Entities
Record revenue for programs funded on a cooperative basis pursuant to RCW 28A.310.180 or chapter 39.34 RCW.

Payments for Other Programs (Revenue Codes 80–89)

81 Payments from School Districts in Washington
Record revenue for programs or services not operated on a cooperative basis.

82 Payments from School Districts in Other States
Record revenue for programs or services not operated on a cooperative basis.

83 Payments from Other Entities
Record revenue for programs or services not operated on a cooperative basis.

Other Financing Sources (Revenue Codes 90–99)

92 Sale of Real Property
Record the proceeds of the sale of land and buildings.

93 Sale of Personal Property
Record the proceeds of the sale of surplus personal property.

94 Compensated Loss of Capital Assets
Record the proceeds from insurance recoveries or other compensation for loss of capital assets. Insurance recoveries for other than capital assets are recorded in Revenue Account 20 Insurance Recoveries.

95 Long-Term Financing
Record resources from the creation of long-term debt that allows for the purchase of specific services or equipment, the payment of which is spread over future years. Long-term debt financing is evidenced by a formal contract that obligates the borrower to make payments in future years.

96 Change in Joint Venture Equity
Record changes in the ESD's portion of equity within various joint ventures in which ESD participates.

EXPENDITURE ACCOUNT CODES

Introduction

Under this uniform system of expenditure classification, program, subprogram, activity, object of expenditure, and fiscal year classify expenditures. This classification system will permit the identification of expenditures by function and facilitate the preparation of reports and administering budgets by program.

Expenditures are classified using a code as follows:

PP (Program Code)*
SS (Sub Program Code)
AA (Activity Code)*
O (Object of Expenditure Code)*
OOO (Sub-object of Expenditure Code)
YYY (Year Code)

*Only the Program, Activity, and Object of Expenditure codes are required to be reported to OSPI.

Adding positions after the fiscal year code to meet individual ESD requirements can expand this code.

Listed below are the program, activity, and object of expenditure codes. Codes other than those listed cannot be used. The Office of Superintendent of Public Instruction, in cooperation with the educational service districts, will add additional codes when necessary.

Program Codes

The program code provides a method for identifying expenditures as unique plans of activities and procedures designed to accomplish a predetermined objective or set of objectives without regard to revenue sources. The code also provides a method of accumulating expenditures for reporting into three categories:

1. ESD services
2. Instructional support
3. Noninstructional support

Specific Program Account Numbers and Titles

ESD Core Services (Programs 01–09)

01 ESD Core Governmental and Indirect Services
02 ESD Direct Cost Centers and Agency Services

Instructional Programs and Support (Programs 10–59)

10 Instructional Resources
12 Special Education
13 Special Education—Cooperatives
16 Staff Development
18 Educational Technology
19 K–20
20 Safe and Drug-Free Schools
21 Special Education—Educational Service Agency—State
22 Traffic Safety

23 Special Education—Educational Service Agency—Federal
24 Math and Science
25 Communication, Reading, and Writing
26 Art
27 Social Studies
28 Environmental Education
30 Highly Capable
32 Vocational
34 Early Childhood
36 Migrant Education
38 Alternative Learning Experience
40 Student Assessment
42 State Institutions
43 State Institutions—Juveniles in Adult Jails
46 Health and Fitness
48 Professional Development Centers
51 Special Education—Infants and Toddlers—State
58 CARES Act Programs—Federal
59 Other Instructional Support Programs

Noninstructional Support (Programs 60–99)

62 Adult Education
64 Data Processing
66 Risk Management
68 Public Communications
70 Transportation
72 Environmental Compliance
73 Nursing Services
74 Human Resource Services
76 Employment Programs
78 Fiscal Agent Services
80 Group Purchasing
82 Equipment Repair
89 Other Noninstructional Support Programs
99 Transportation Equipment

Description of Program Codes

ESD Core Governmental and Indirect Services (Program 01)

Accumulates all expenditures for ESD-wide activities and the direct expenditures incurred pursuant to RCW 28A.310.010 for assisting the Office of Superintendent of Public Instruction and the State Board of Education in the performance of their respective statutory or constitutional duties.

ESD Direct Cost Centers and Agency Services (Program 02)

Accumulates all expenditures for ESD-wide activities, the costs of which are allowable for direct cost recovery pursuant to the ESD Indirect Cost Allocation plan and related documents from OSPI and ESD Fiscal Officers. Include facility maintenance, network costs, etc.

Instructional Programs and Support (Programs 10–59)

Accumulates all expenditures incurred for operating programs in support of instructional programs dealing with aiding in the teaching of students, or improving the quality of teaching.

10 Instructional Resources
Record expenditures of unit administration and direct services for functions that provide learning materials or services specifically designed to improve student learning.

12 Special Education
Record expenditures of unit administration and direct services for functions involving the education of special education students by instructing or evaluating pupils in a systematic teaching situation or development of specific programs to assist special education students.

13 Special Education—Cooperatives
Record expenditures for special education programs run as a part of an educational cooperative. Expenditures in this program relate to circumstances where the ESD is considered a vendor to the special education cooperative.

<u>16</u> <u>Staff Development</u>
Record expenditures of unit administration and direct services for functions that provide research or teach instructional improvement methods, techniques, or processes to local district or educational service district staff.

<u>18</u> <u>Educational Technology</u>
Record expenditures of unit administration and direct services for functions that utilize high technology methodologies to instructional or educational improvement.

<u>19</u> <u>K–20</u>
Record expenditures for operations and support of the K–20 network.

<u>20</u> <u>Safe and Drug-Free Schools</u>
Record expenditures of unit administration and direct services for functions imparting knowledge of the methods or processes related to drug-free schools. This includes drug and alcohol security, violence prevention, crisis intervention, and counseling.

<u>21</u> <u>Special Education—Educational Service Agency—State</u>
Record expenditures relating to the provision of special education services in a cooperative arrangement, and in which the ESD is acting as an educational service agency (ESA) which meets the definition of a Local Education Agency (LEA.) Expenditures in this program are those paid for with state special education funding, and are analogous to Program 21 expenditures for school districts.

<u>22</u> <u>Traffic Safety</u>
Record expenditures of unit administration and direct services for functions imparting knowledge of the methods, processes, or values related to traffic safety.

<u>23</u> <u>Special Education—Educational Service Agency—Federal</u>
Record expenditures relating to the provision of special education services in a cooperative arrangement, and in which the ESD is acting as an educational service agency (ESA) which meets the definition of a Local Education Agency (LEA.) Expenditures in this program are those paid for with federal IDEA funds, and are analogous to Program 24 expenditures for school districts.

<u>24</u> <u>Math and Science</u>
Record expenditures of unit administration and direct services for functions improving, coordinating, or instructing in math or science curriculums.

25 Communication, Reading, and Writing
Record expenditures of unit administration and direct services for functions improving, coordinating or instructing communication, reading, or writing curriculums.

26 Art
Record expenditures of unit administration and direct services for functions improving, coordinating, or instructing in the fine arts, music, and drama.

27 Social Studies
Record expenditures of unit administration and direct services for functions improving, coordinating, or instructing in social studies.

28 Environmental Education
Record expenditures of unit administration and direct services for functions improving, coordinating, or instructing in environmental education.

30 Highly Capable
Record expenditures for programs for highly capable pupils.

32 Vocational
Record expenditures of unit administration and direct services for functions improving, coordinating, or instructing in vocational skills.

34 Early Childhood
Record expenditures of unit administration and direct services for functions involving the education of pupils within the age group of birth to 5 years, excluding special education.

36 Migrant Education
Record expenditures to assist districts in providing services to migratory children.

38 Alternative Learning Experience
Record expenditures of alternative learning experience programs.

40 Student Assessment
Record expenditures of unit administration and direct services for functions aiding pupils to assess and understand their abilities, aptitudes, interests, environmental factors, and educational needs.

42 State Institutions
Record expenditures of unit administration and direct services for functions involving the education of pupils funded by the state institution formula per RCW 28A.190.020 through 28A.190.060.

43 State Institutions—Juveniles in Adult Jails
Record expenditures of unit administration and direct services for functions involving the education of juveniles who are incarcerated in adult jail facilities.

46 Health and Fitness
Record expenditures of unit administration and direct services for functions improving, coordinating, or instructing in health and fitness education.

48 Professional Development Centers
Record expenditures of unit administration and direct services for state-funded professional development centers.

51 Special Education—Infants and Toddlers—State
Record expenditures relating to the provision of early intervention services for children aged birth through two. These expenditures should relate to the Early Support for Infants and Toddlers (ESIT) program. Once a child reaches age three, related expenditures should be coded to Program 13.

58 CARES Act Programs—Federal
Record expenditures for the ESD pertaining to the Federal CARES Act program.

59 Other Instructional Support Programs
Record expenditures of instructional support programs not represented in another code.

Noninstructional Support (Programs 60–99)

Accumulates all expenditures incurred that represent noninstructional functions of an administrative or student service nature and are only indirectly associated with instructional functions.

62 Adult Education
Record expenditures of unit administration and direct services for functions expanding educational opportunities to acquire basic skills, complete secondary level education, or profit from employment-related training for adults.

64 Data Processing
Record expenditures of unit administration and direct services related to the systematic collecting, processing, and reporting of data through the use of electronic data processing methods and procedures.

66 Risk Management
Record expenditures of unit administration and direct services for functions related to property, casualty, unemployment, workers' compensation, or employee benefit plans including claims and safety services.

68 Public Communications
Record expenditures of unit administration and direct services for functions providing public communications assistance to school districts.

70 Transportation
Record expenditures of unit administration and direct services for functions providing coordination or operation of pupil transportation systems.

72 Environmental Compliance
Record expenditures of unit administration and direct services for functions providing coordination or assistance in maintenance of facilities in compliance with state or federal laws and regulations.

73 Nursing Services
Record expenditures of unit administration and direct services for functions providing nursing services.

74 Human Resource Services
Record expenditures of unit administration and direct services for functions providing coordination or operation of personnel services.

76 Employment Programs
Record expenditures of unit administration and direct services for functions providing opportunities to continue educational attainment while involved in employment with qualified public or private employers for youths.

78 Fiscal Agent Services
Record expenditures of unit administration and direct services for functions where the educational service district provides administration services only.

<u>80 Group Purchasing</u>
Record expenditures of unit administration and direct services for functions providing purchasing of supplies, materials, equipment, or services.

<u>82 Equipment Repair</u>
Record expenditures of unit administration and direct services for functions providing repair and replacement parts for specified equipment.

<u>89 Other Noninstructional Support Programs</u>
Record expenditures for other noninstructional support programs.

<u>99 Transportation Equipment</u>
Record expenditures of unit administration and direct services for functions related to the purchase or rebuilding of school buses.

Expenditures—Subprogram

Subprogram code definition and usage are the exclusive prerogative of each ESD. They are used for the identification of functions within the various program areas. Possible uses of these digits are to code such items as listed below when it is advantageous to the ESD.

1. Budget responsibility code (BRC)
2. Location
3. Type of specialized person
4. County
5. Sub-office
6. Internal departments
7. Combinations of the above
8. Source of funding

Activity Codes

Activity codes further delineate the type of expenditure within a program. Activity coding is required for all expenditure transactions.

Only a limited number of activity codes are allowed for use. A further restriction is that only selected codes may be used with certain programs.

List of Activities

11 Board of Directors
12 Superintendent's Office
13 Business Office
14 Financial Services
15 Human Resources
16 Regional Committee for School District Reorganization
17 Public Information
20 Supervision of Instruction
21 Staff Development
22 Curriculum Support
23 Certification
26 Health and Related Services
27 Direct Instruction
41 Supervision of Food Services
42 Food
44 Food Operations
51 Transportation Supervision and Coordination
52 Operating Buses
53 Maintenance of School Buses
56 Transportation Insurance
59 Purchase—Rebuilding of Buses
60 Facilities
72 Information Systems
73 Printing and Copying
75 Motor Pool
83 Debt Service—Interest
84 Debt Service—Principal
89 Depreciation
98 General Support
99 Debit and Credit Transfer

Definition of Activity Codes

11 Board of Directors
Include those responsibilities not delegated but are retained and carried out by the governing board. Delegated responsibilities will be charged to the activity in which the responsible person is charged.

12 Superintendent's Office
This activity relates to ESD-wide administrative responsibility.

13 Business Office
This activity consists of the financial and accounting operations for the ESD. Include research and planning for budgeting, accounting, bookkeeping, and statistical services, business administration, fiscal control, and purchasing.

14 Financial Services
Charge to this activity the expenditures related to providing financial and business services to school districts. Financial and business functions of the ESD should be charged to Activity 13.

15 Human Resources
Record the expenditures of the ESD human resources office.

16 Regional Committee for School District Reorganization
Charge to this activity the expenditures for personnel and other associated expenditures to run the regional committee within the ESD. This includes research, hearings, coordination with state and county offices, travel, supplies, and all other areas required to complete the regional committee functions.

17 Public Information
Record the expenditures for providing information to the public and other governmental agencies.

20 Supervision of Instruction
This activity is used to record expenditures for overall leadership for the instructional programs.

Include the expenditures for staff members providing supervision, coordination, evaluation, and development in instruction, instructional materials, and pupil services programs. Also include secretarial and clerical assistants along with nonemployeerelated costs for these functions. Include expenditures for training supervisors for their supervisory activities.

<u>21 Staff Development</u>
Include expenditures for providing training to school district personnel.

<u>22 Curriculum Support</u>
Charge to this activity the expenditures for providing curriculum services for school districts.

<u>23 Certification</u>
Include the cost of providing certification services.

<u>26 Health and Related Services</u>
Include services in the field of physical and mental health consisting of medical, dental, optometry, psychiatric, doctor, nurse, orientation-mobility specialists, occupational therapists, and physical therapists. Also include duties of the psychologist, psychometrist, language pathologists, and audiometrists, and their secretarial, clerical, and other assistants.

<u>27 Direct Instruction</u>
Include expenditures of instructing pupils in a teaching situation.

<u>41 Food Services–Supervision</u>
This activity is used to record the expenditures for managing, directing, and supervising the food service program. Services include those of supervisory, secretarial, and other assistants involved in the administration of the food service program. Examples include: directors, director's support staff, and dieticians.

<u>42 Food Services–Food</u>
Include the expenditures for all food (purchased and commodities) used in connection with the regular food services program including expenditures for processing, freight, delivery, and storage.

<u>44 Food Services–Operations</u>
Include the direct expenditures for preparing and serving breakfasts and lunches in connection with school activities and the delivering of prepared meals to schools. Include services of cooks, cashiers, and kitchen help expenditures, contractual services, supplies and materials (other than food), travel, and capital outlay. Include lunchroom aides who assist in food preparation or distribution.

51 Transportation Supervision and Coordination
Include expenditures managing, directing, supervising, and coordinating the transportation program. Services include those of transportation coordinator, transportation supervisor, bus attendants, monitors, traffic director, radio operator, the secretarial and other assistants who establish routings and schedules, supervisors of vehicle operations, and maintenance and training transportation staff. Include expenditures for ferry fares and medical exams for bus drivers.

52 Operating Buses
Include direct operating expenditures for buses and payments to firms for transporting children from two or more families. The only salaries charged to this activity are those of the bus drivers. Only expenditures for fuel are charged to Object of Expenditure 5 Supplies, Instructional Resources, and Noncapitalized Materials under this activity.

53 Maintenance of School Buses
The expenditures for maintaining pupil transportation vehicles are charged to this activity. Include such services as mechanical repair, painting, checking for safety, cleaning, greasing, and preventive maintenance. Tires, tubes, anti-freeze, first-aid kits, oils, lubricants, and fire extinguishers are also charged to this activity.

56 Transportation Insurance
Include expenditures for insuring pupil transportation vehicles and providing liability protection. Types of insurance include liability, property damage, medical care, collision, fire, and theft damage. Such expenditures will be recorded under Object of Expenditure 7 Purchased Services.

59 Purchase—Rebuilding of Buses
Include purchase and rebuilding of school buses and additional equipment. Also included are leases with option to purchase, which are in substance purchase agreements.

60 Facilities
This activity is used to directly charge expenditures related to operating the ESD facilities.

72 Information Systems
Include all expenditures concerned with the operation of a recognized organizational unit that administers the district's information system. Such services as systems and

database development, maintenance, processing data, and storage of data are charged here.

Include the operation of the district's network including, but not limited to, server equipment, technology staff, maintenance costs and agreements, internet connection fees, right of way fees, operating systems and managing system software, content filtering, and network security.

Information systems expenditures specific to a program, such as computer-assisted instruction and classroom terminals, may be charged directly to the appropriate program and activity.

73 Printing and Copying
This activity is used to directly charge expenditures related to operating an ESD printing and copy center.

75 Motor Pool
Record the operating and capital expenditures for agency motor pool vehicles.

83 Debt Service—Interest
Record the interest expenditure of matured debt.

84 Debt Service—Principal
Record the principal portion of matured debt.

89 Depreciation
Record expenditures for annual depreciation amounts. These amounts may either be charged to the appropriate program code that received the benefit, or charged to a central account and then spread to other programs via debit and credit transfers. Only depreciation methods outlined in Generally Accepted Accounting Principles may be used.

98 General Support
Include expenditures that cannot be charged to one of the above activities.

99 Debit and Credit Transfer
This activity is used exclusively with the debit and credit transfer objects.

Objects of Expenditure

Under this system, objects of expenditure will be recorded as a sub classification of the appropriate program and activity codes. The titles and definitions of objects of expenditure are as follows:

0 and 1 Debit and Credit Transfer

The transfer activity and objects enable ESDs to transfer certain direct charges to the program using the resource. The transfer activity of expenditure (99) is used in conjunction with both debit (0) and credit (1) transfer objects of expenditure. The use of credit objects of expenditure is limited to certain expenditure centers that manufacture or produce a finished product or service. These manufacturing or serving expenditure centers are found only in the following programs:

- Program 01 ESD Core Governmental and Indirect Services
- Program 02 ESD Direct Cost Centers and Agency Services
- Program 10 Instructional Resources
- Program 16 Staff Development
- Program 18 Educational Technology
- Program 64 Data Processing
- Program 66 Risk Management
- Program 68 Public Communications
- Program 70 Transportation
- Program 80 Group Purchasing
- Program 82 Equipment Repair

The finished product or service is in turn used or consumed by other programs. Debit transfer objects are used to charge these expenditures to the using programs.

The total debit transfer objects of expenditure must always be in balance with the total credit transfer objects of expenditure. The use of the debit and credit activity of expenditures and debit and credit transfer objects of expenditure must be used exclusively to transfer expenditures from the allowed expenditure centers specified above. This procedure shall not be used to correct coding errors made on original entries.

Debit transfer objects of expenditure shall not be used to direct charge vendor billings to recipient programs for products or services not produced by the manufacturing or serving expenditure centers. Such direct charge items should be recorded directly in the appropriate activity and object of expenditure in the recipient program.

Through the use of transfer objects of expenditure, ESDs will be able to record program expenditures both before and after transfers. This methodology enables ESDs to redistribute expenditures originally charged to manufacturing or serving expenditure centers, and at the same time maintain budgetary and accounting control over these centers. This procedure assures full disclosure and visibility of transfer transactions.

2 Salaries—Certificated Employees
Compensation of employees as defined in either WAC 392-121-200 Definition—Certificated employee or WAC 392-121-201 Definition—Agency certificated employee.

3 Salaries—Classified Employees
Compensation of persons employed by the ESD in a position that is not a certificated employee staff position.

4 Employee Benefits and Payroll Taxes
All employee benefit expenditures are charged here.

5 Supplies, Instructional Resources, and Noncapitalized Items
This object includes noncapitalized supplies, materials, and instructional resources expendable in nature that are consumed in use. These items may lose their identity through fabrication or incorporation into a different or more complex unit of structure.

6 Not Used

7 Purchased Services
This object includes all expenditures for services rendered via the ESD expressed or implied contract with the exception of items classified as Object 8 Travel. All compensation for services rendered by persons who are not employees, such as attorneys, accountants and auditors, architects, engineers, appraisers, educational consultants, and others compensated on a fee or contractual basis is recorded under this classification.

Compensation payments may consist of labor together with materials furnished in the performance of such services. Purchased services do not include labor provided by an employee of the district or materials purchased by the district. In those circumstances, the charge will be to Object of Expenditure 5 Supplies, Instructional Resources, and Noncapitalized Items and Object of Expenditure 3 Salaries—Classified Employees.

Purchased services include telephone, telegraph, and messenger service. Include also the costs of all substances purchased for heating, cooking, and generating power, such as coal, wood, natural or bottled gas, and oil. Expenditures for purchase of water are also chargeable to this object. Include the following types of expenditures: building repairs, equipment, repairs and service, transportation of materials, supplies and equipment (payments which cannot be allocated directly to the commodity or equipment purchased), and contracted printing (reports, pamphlets, and publications.)

Include rentals or royalties paid for the use of land, buildings, structures, machinery, equipment, safe deposit boxes, etc. All memberships and registrations are chargeable to this classification as well as premiums for insurance held by the ESD against fire, accident, liability or property damage, and surety bonds. Include advertising and warrant interest. Include all other services of contractual nature not specified above or in Object of Expenditure 8 Travel.

<u>8 Travel</u>
Travel includes contractual services in connection with carrying staff personnel from place to place and the furnishing of accommodations incident to travel, such as railroad, airplane, bus, taxi, lodging, and meals. Also included are per diem allowances; mileage allowances for use of privately owned vehicles; ferry fare; tolls and other expenditures necessitated by travel, such as baggage transfer, garage rent, and other storage fees. Do not include expenditures for pupil transportation.

<u>9 Capital Outlay</u>
Expenditures of a capital nature are recorded under this classification. This includes purchase and improvements to grounds, improvements to buildings, replacement of equipment, and additional equipment.

Fiscal Year

This digit is used to identify the fiscal year for categorically funded programs. The identification of this code is determined by the ESD.

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CHAPTER 4 – FEDERAL GRANTS MANAGEMENT

INTRODUCTION

Federal agencies are contributors of a variety of grants to ESDs. Federal grantor agencies include, but are not limited to the U.S. Department of Education, U.S. Department of Agriculture, and the U.S. Department of Health and Human Services. Some federal grants, such as Early Head Start, may be received directly from the federal agency. Other federal grants, are "passed through" to the ESD from the primary grantee recipient within the state such as the Office of Superintendent of Public Instruction (OSPI) or other state or local government agency.

Each grantor has its own set of rules and regulations governing the grants it makes. ESDs must comply with the most restrictive grant rules and regulations; this chapter will focus on federal fiscal regulations, which are typically the most stringent. Accounting systems and procedures that meet federal guidelines will usually be sufficient to meet state and local requirements.

FEDERAL LAWS AND REGULATIONS

There are three main categories of requirements applicable to federal programs: 1) statutes, 2) regulations, and 3) non-regulatory guidance. In addition to those requirements, OSPI issues bulletins that further clarify those requirements, as well as discuss processes required to comply with those requirements.

Statutes

Statutes have the highest level of authority. There are some statutes that apply to all federal programs such as the Single Audit Act and some that apply to only the U.S. Department of Education (ED) program such as the General Education Provisions Act (GEPA). Then there are those that apply only to specific programs such as the Every Student Succeeds Act (ESSA).

Regulations

Regulations are issued by agencies to answer questions regarding unclear areas in the statutes. Just like statutes, regulations are legally binding by law. The *Federal Register* is where all of the final regulations are published. The Code of Federal Regulations (CFR) contains all regulations. ED program regulations are published in Title 34 of the CFR.

Education General Administrative Requirements (EDGAR) is a compilation of administrative requirements, also published in the CFR.

On December 26, 2013, the federal Office of Management and Budget (OMB) issued rules that combined several OMB Circulars into one document titled "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards." The document is also referred to as the Uniform Grant Guidance, Omni Circular, and Super Circular. It supersedes OMB circulars, including A-87 (Cost Principles), A-102 (Administrative Requirements), and A-133 (Audits). The Uniform Grant Guidance can be found in 2 CFR Part 200.

The table below illustrates the regulations applicable for ED programs.

Applicable Regulations for ED Programs	
Title 34	**Title 2**
Part 75 – Direct Grant Programs Part 76 – State-Administered Programs Part 77 – Definitions Part 81 – General Education Provisions Act (GEPA)	Part 200 – Cost, Administrative, Audit Rules • Subpart A – Acronyms and Definitions • Subpart B – General Provisions • Subpart C – Pre-Federal Award Requirements and Contents of Federal Awards • Subpart D – Post Federal Award Requirements (formerly Part 80 EDGAR) • Subpart E – Cost Principles (formerly OMB Circular A-87) • Subpart F – Audit Requirements (formerly OMB Circular A-133)

Nonregulatory Guidance

Nonregulatory guidance is less binding as legal authority, but it reflects the department's interpretation in a more user-friendly format, typically Q and A's.

OSPI Bulletins

Bulletins provide additional instructions, examples, and procedures for implementing the various requirements.

BASIC FEDERAL FISCAL REQUIREMENTS

Allowable Costs

Expenditures under federal programs are governed by the federal cost principles contained in 2 CFR Part 200 Subpart E – Cost Principles. ESDs must ensure costs claimed under federal awards follow these cost principles as well as any special terms and conditions contained in the award. Additionally, grantees are required to follow the more restrictive of the federal, state, and ESD policies.

When applying these cost principles, ESDs must:

- Maintain responsibility for the efficient and effective administration of the federal award through the application of sound management practices.
- Assume responsibility for administering federal funds in a manner consistent with underlying agreements, program objectives and the terms and conditions of the federal award.
- Apply accounting practices consistent with the cost principles, support the accumulation of costs as required by the principles, and provide for adequate documentation to support costs charged to the federal award.

ESDs must maintain a system of internal controls over federal expenditures to provide reasonable assurance that federal awards are expended only for allowable activities and that the costs of goods and services charged to federal awards are allowable and in accordance with the above referenced cost principles.

Those controls must meet the following general criteria:

- Be necessary and reasonable for the performance of the federal award and be allocable thereto under these principles.
- Conform to any limitations or exclusions set forth in these principles or in the federal award as to types or amount of cost items.
- Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the district.
- Be accorded consistent treatment.
- Be determined in accordance with generally accepted accounting principles.
- Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period.
- Be adequately documented.

Direct and Indirect Costs

Since there is no universal rule for classifying costs as either direct or indirect, districts must be consistent in treating each item of cost incurred for the same purpose as either a direct or indirect cost to avoid possible double-charging.

Direct costs are those costs that can be specifically identified with particular cost objectives such as a grant, contract, project, function, or activity with relative ease and with a high degree of accuracy. Typical direct costs are salaries of employees working specifically on objectives of a grant or contract (including vacations, holidays, sick leave, and other excused absences); employee fringe benefits allocable on direct labor employees; consultant services contracted to accomplish specific grant or contract objectives; and materials, supplies, and equipment purchased directly for use on a specific grant or contract.

Indirect costs are those costs that either benefit the cost objective or activity in an indirect manner, or directly benefit the cost objective or activity but the complexity of adequately identifying the costs in such a manner outweigh the benefit of charging them directly. Typical indirect costs include accounting, human resources, and the superintendent’s office.

Indirect Cost Rates

The application of indirect costs to a grant (or other program) is done through the application of an indirect cost rate. An indirect cost rate represents the ratio between the total indirect costs and benefiting direct costs, after excluding or reclassifying unallowable costs, and extraordinary or distorting expenditures (i.e., capital expenditures and major contracts and subgrants). This rate is expressed as a percentage of the costs directly charged to the program. ESDs have three different rates calculated for them: state indirect rate (also called the “state recovery rate”), federal restricted rate, and federal unrestricted rate. Refer to Chapter 1 for specific discussion regarding determination of the rates for ESDs by OSPI.

Indirect rates are the *maximum* amount of indirects that may be charged to a program or grant. The ESD may choose to utilize a lower amount of indirect, by charging more direct costs; but it may not use a rate higher than the one calculated.

Cash Management

ESDs must minimize the time between the receipt of federal funds and disbursement of those funds to no longer than three days. As provided in 2 CFR 200.305, ESDs may draw federal funds using a reimbursement or advance payment method. However, ESDs usually request reimbursement for expenditures for federal grants passed through OSPI instead of requesting advances.

Reimbursement Payment Method

For reimbursements of federal funds, ESDs must:

- Monitor the fiscal activity (payments and reimbursements) under each grant on a continuous basis, and request timely reimbursement only for expenditures already disbursed and comply with all applicable award requirements.
- Maintain source documentation and accounting records that reconcile to the reimbursement request at a level adequate to establish that funds have not been used in violation of any applicable statutory restrictions or prohibitions.
- If the ESD transfers expenditures previously charged to a federal award for which reimbursement has been claimed to a non-federal fund source, the ESD will calculate the interest earned on the federal funds for possible submittal. Refer to Interest Earned section below.

Advance Payment Method

For advances of federal funds, ESDs must:

- Monitor the fiscal activity (drawdowns and payments) under each grant on a continuous basis and maintain source documentation and accounting records at a level adequate to establish that funds have not been used in violation of any applicable statutory restrictions or prohibitions.
- To the extent available, disburse funds available from program income, rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds before requesting additional cash payments.
- Plan for cash flow in the grant project during the budget period and review project cash requirements before each drawdown.
- Draw down only the amount of funds necessary to meet the immediate needs of the program or project (including the proportionate share of any allowable indirect costs), and minimize the time between receiving and disbursing those funds.
- Pay out federal funds for expenditures that comply with all applicable grant requirements as soon as administratively feasible (a rule of thumb is no more than three business days after receiving the funds).

- Deposit advance payments into insured accounts whenever possible.
- Unless conditions listed in CFR Title 2 Part 200 Subpart D §200.305(b)(8) apply, ESDs must maintain advance payments in interest-bearing accounts.
- Remit interest earned over $500 annually. Refer to Interest Earned section below.

Interest Earned

Federal regulations allow ESDs to retain interest earned amounts up to $500 per year for administrative expenses. Any additional interest earned on those funds must be remitted annually to the Department of Health and Human Services (HHS) Payment Management System (PMS) through an electronic medium or by check to the HHS Program Support Center. Districts should refer to the federal or pass-through agency for pertinent information about the remittance.

Budget Revisions

Unless prohibited by federal or state statute(s) governing a particular grant program, OSPI allows ESDs to increase or decrease expenditures for any budgeted activity total or object total by an amount of up to 10 percent of the total "Budgeted Direct Expenditures" for that grant award without submitting a budget revision.

If a budget revision is required due to exceeding that amount, allow enough time for the request to go through the approval process in iGrants prior to the claim submission cutoff date. ESDs will not be able to submit a claim until the budget revision is approved.

Equipment

For federal funds, equipment means tangible nonexpendable property, including exempt property, charged directly to the award having a useful life of more than one year and an acquisition cost of $5,000 or more per unit. However, more restrictive limits may be established in an ESD's policy.

Use and Disposition of Equipment

ESDs must use equipment purchased with federal funds in the program or project for which it was originally purchased, regardless of whether or not the program continues to be supported with federal funds. Thus, if an ESD receives a grant to start a program, any equipment purchased for that program shall be used for the program even after the grant expires.

In addition, such equipment may be used in other federally funded programs, as long as the use does not interfere with the work on the original program or project for which it was purchased. In such situations, first priority for additional use must be given to other programs or projects sponsored by the awarding agency.

Subject to approval by the awarding agency, ESDs may acquire replacement equipment by trading in the original equipment, or selling the original equipment and using the proceeds to offset the cost of the new equipment. Proper sales procedures shall be used that provide for competition to the extent practicable and result in the highest possible return.

If the equipment is no longer needed for the original program or project for which it was originally acquired, or for other activities supported with federal money, the equipment may be disposed of.

The rules for disposing of equipment purchased with federal money are as follows:

- If the per-unit market price of the equipment is less than $5,000, it may be retained, sold or otherwise disposed of without any further obligation to the awarding agency.
- If the per-unit market price of the equipment is greater than $5,000, it may be retained by the ESD or sold. In these cases, the ESD will need to remit to the awarding agency an amount equal to the federal share of the original cost of the equipment.

Equipment Management

ESDs must have appropriate controls to safeguard and adequately maintain equipment. A physical inventory of equipment must be conducted at least once every 2 years (if ESD policy requires an annual inventory, that is the more restrictive policy and should be applied to federal equipment inventories unless specifically addressed in policy and procedures) and reconciled to the equipment records (any differences between the physical inventory and records must be resolved).

Asset and inventory management for ESDs is further addressed in Chapter 1 of the Manual.

Matching, Level of Effort, Earmarking

The specific requirements for matching, level of effort, and earmarking are unique to each federal program and are found in the statutes, regulations, and the terms and conditions of awards pertaining to the program.

Matching

Matching (also known as cost sharing) is a requirement to provide contributions of a certain amount to match federal awards. Some federal programs require an ESD provide matching funds in order to receive the federal funds.

The following criteria should be considered when determining whether an expenditure is an acceptable match:

- Must be able to be verified from the ESDs records.
- Cannot be included as contributions for other federal programs (unless specifically allowed by federal program laws and regulations).
- Must be able to show how it is necessary and reasonable to the accomplishment of the program objectives.
- Must be allowable under applicable cost principles.
- Must not be federal funds from another program (unless specifically authorized by federal statute).
- Must be included in the approved budget when required.
- Must conform to other provisions of federal laws, regulations, and contracts or grant agreements applicable to the program.

Level of Effort and Maintenance of Effort (MOE)

Level of effort is a requirement for: a) providing a specified level of service from one period to another, b) maintaining a specified level of expenditures from non-federal or federal sources for specified activities from period to period, and c) federal funds to supplement and not supplant non-federal funding of services.

An ESD must meet maintenance of effort requirements under certain programs. If an ESD is found to fail the MOE test, their subsequent years grant award will be reduced by the amount of failure.

<u>Supplement, Not Supplant</u>
The phrase “supplement, not supplant” arises in federal programs, where the intent is for the federal funding to be an addition to existing program funding, not a

replacement. Generally, the "supplement, not supplant" requirements are found in grant programs that utilize the district's restricted rate for applying indirect expenditures.

The official terminology, as borrowed from the Elementary and Secondary Education Act, is:

> "A state educational agency or local educational agency shall use federal funds received under this part only to supplement the funds that would, in the absence of such federal funds, be made available from non-federal sources for the education of pupils participating in programs assisted under this part, and not to supplant such funds"
> (20 U.S.C. §6321(b)(1)).

Earmarking

Earmarking is a requirement to use a specified minimum or maximum amount of program funds for specified activities. Some federal grant programs have some form of earmarking requirements. That is, specific amounts must be set aside and spent only for specified purposes. Districts that receive funds in grants that have earmarking requirements will need to demonstrate they have expended the money necessary to meet those requirements.

Program Income

The federal government encourages entities that receive grants to earn income relating to the grants to defray program costs where appropriate (2 CFR §200.307).

Program income means gross income generated by a supported activity or earned as a result of the federal award. It includes income from fees for services, the use or rental of equipment acquired with federal funds, and the sale of commodities or items fabricated under a federal award (for example, item or services generated in a CTE class and sold for profit). Unless otherwise stated in the grant terms and conditions or other federal regulations, program income does not include rebates, credits, discounts, and refunds or interest earned on any of them.

Generally, program income must be deducted from allowable grant expenditures. With prior federal approval, program income may be added to the federal award or used for a cost sharing or matching requirement.

Period of Performance (2 CFR section 200.309)

Period of performance means the time during which the ESD may incur new obligations to perform the work authorized under the federal award. In general, the period of performance is 15 months. This period starts on July 1 of a particular year, and runs through September 30 of the following year for awards passed through OSPI. For example, a federal grant that becomes available July 1, 2023, is available until September 30, 2024. Note that this crosses three ESD fiscal years.

For competitive grants, ESDs may incur costs prior to the start date of the period of performance (pre-award costs – costs directly associated with the negotiation and in anticipation of the federal award and are necessary for efficient and timely performance of the scope of work). Pre-award costs are only allowable if they would have been allowable if incurred after the start date of the period of performance and only with written approval from the federal grantor or pass-through entity.

For formula grants, ESDs that do not spend their entire grant award in a particular year may be eligible for carryover of the remaining balance on their grant. Such carryover is available for an additional twelve (12) months, running through September 30 of the second year following the awarding of the grant. Using the example above, this additional period would expire September 30, 2025. This period is known as the Tydings period (not applicable to grants received directly from a federal agency).

Carryover Limitations

ESDs may be limited in the amount of grant money carried over into the Tydings period. These limitations are based on the individual programs. OSPI may grant a waiver of the percentage limitation under certain circumstances.

For information about any carryover provisions for a specific program administered by OSPI, review the iGrants profile page for each program or contact the program supervisor.

Obligation

Federal grants utilize the concept of ‘obligation’ when it comes to the use of grant money. Simply, an obligation is created when an ESD has a binding commitment to pay federal funds. The determination of when an obligation is created is dependent upon the nature of the cost being incurred.

Nature of Cost	**Obligation Created When…**
Acquisition of real or personal property	On the date the subgrantee makes a binding written commitment to acquire the property.
Personal services by an employee	When the services are performed.
Personal services by a contractor who is not an employee	On the date on which the subgrantee makes a binding written commitment to obtain the services.
Performance of work other than personal services	On the date on which a subgrantee makes a binding written commitment to obtain the work.
Travel	When the travel is taken.
Rental of real or personal property	When the subgrantee uses the property.
Approved pre-agreement cost	On the first day of the grant performance period.

Obligations need to be liquidated no more than 90 days beyond the end of the funding period.

Procurement

Procurement transactions must be conducted in a manner providing full and open competition to avoid real or perceived unfair advantages. ESDs must comply with the most stringent laws and regulations so it is important to know federal (2 CFR §200.317–.326) procurement policies. The state of Washington does not set forth procurement provisions for ESDs under RCW Chapter 28A.310; procurement policies are established by Board policy and are generally consistent with school district provisions set forth in RCW Chapter 28A.335.190 as well as federal guidelines.

When federal funds are used to purchase goods (furniture, supplies, equipment, and textbooks):

- Purchases of $10,000 or less do not require quotes. However, ESDs must consider the price to be reasonable, and, to the extent practical, distribute equitably among suppliers. Further, the ESD should have a policy in place authorizing expenditures of $10,000 or less to be considered without quotes.
- Purchases between $10,000 and $75,000 must be procured using price or rate quotations from an adequate number of qualified sources (state law requires three sources).
- Purchases of $75,000 or more must be publicly solicited using sealed bids.

When federal funds are used to purchase services:

- Purchases of $10,000 or less do not require quotes. However, ESDs must consider the price to be reasonable, and, to the extent practical, distribute equitably among suppliers.
- Purchases between $10,000 and 250,000 must be procured using price or rate quotations from an adequate number of qualified sources.
- Purchases of $250,000 or more must be publicly solicited using sealed bids.

Procurement by noncompetitive proposals may only be used when one of the following four circumstances applies. The ESD must maintain documentation supporting the applicable circumstance for noncompetitive proposals.

- The item is only available from a single source;
- The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- The awarding agency (e.g., OSPI) authorizes a noncompetitive proposal in response to a written request from the district; or
- After solicitation of a number of sources, competition is determined inadequate.

Suspension and Debarment

Certain non-federal entities have been prohibited from participating in or receiving federal assistance for various reasons such as prior mismanagement of funds or non-compliance with laws and regulations. This prohibition may be temporary (suspension) or indefinite (debarment; until specifically allowed by the federal government). When performing this purchase, the recipient must verify that the vendor, supplier, provider or their respective principals (e.g., owners, top management, etc.) are not suspended, debarred or otherwise excluded by the federal government.

ESDs must comply with suspension and debarment requirements for the following federal transactions:

- Vendor contracts for goods and services expected to equal or exceed $25,000
- All subawards (no dollar threshold)

There are three options to ensure vendors and subgrantees are not suspended or debarred from receiving federal money:

- ESDs can check the System for Award Management (SAM) at www.sam.gov, which is an official website of the federal government. ESDs must maintain evidence that SAM was checked (for example, a print-out from the system), and the information should be verified on a periodic basis.
- ESDs can collect a certification from the person or company that they are not suspended or debarred from receiving federal funds. This certification needs to

be documented and maintained for the auditors, and reviewed on a periodic basis.
- Language can be added to the contract, including purchase orders, covering the transaction that states that the vendor is neither suspended nor debarred from receiving federal dollars, and that they will remain that way throughout the duration of the contract.

Time and Effort

The Uniform Grant Guidance offers new flexibilities for time and effort tracking in an effort to reduce burden. Although specific documentation such as personnel activity reports or semi-annual certifications are not mentioned in the Uniform Grant Guidance, ESDs must have a strong internal controls program to ensure accountability. It should also be noted that the Uniform Grant Guidance does not require any grantee to change their current system for time and effort reporting.

OSPI provides guidance to ESDs on time and effort requirements. In addition to technical assistance, OSPI issues a bulletin that discusses the requirements and provides examples for ESDs.

SUBRECIPIENT REQUIREMENTS

Subrecipient and Contractor Determinations (2 CFR §200.330)

An ESD may receive awards as a recipient, a subrecipient or as a contractor, depending on the substance of its agreements with the awarding agency. The ESD must make a determination whether each agreement it makes for the receipt of federal program funds casts its relationship in the role of a subrecipient or of a contractor. Likewise, the ESD must also make that determination for any monies it disburses related to federal award programs to accomplish the purposes of the award. Helpful guidelines in making this determination are provided below:

Subrecipients

Characteristics which support the classification as a subrecipient may include when the receiving entity:

- Determines who is eligible to receive what federal assistance;
- Has its performance measured in relation to whether objectives of a federal program were met;
- Has responsibility for programmatic decision-making;
- Is responsible for adherence to applicable federal program requirements specified in the federal award; and

- In accordance with its agreement, uses the federal funds to carry out a program for a specified public purpose under the authorization, as opposed to providing goods and services for the benefit of the receiving entity.

Contracts

Characteristics which support identification as a vendor or procurement relationship may include when the receiving entity:

- Provides the goods and services within normal business operations;
- Provides similar goods or services to many different purchasers;
- Normally operates in a competitive environment;
- Provides goods or services ancillary to the operation of the federal program; and
- Is not subject to compliance requirements of the federal program as a result of the agreement, though similar requirements may apply for other reasons.

Determination of relationship status should be based on the substance of the relationship rather than the form of an agreement. All the characteristics listed above may not be present in all cases.

Requirement to Provide Notice of Federal Financial Assistance Programs (FFAP)

Under the Federal Funding Accountability and Transparency Act (FFATA), ESDs issuing federal subawards of $25,000 or more must report the obligating action for those awards on the FFATA site: http://www.fsrs.gov. Subaward information must be reported no later than the end of the month following the month in which the obligation was made. For example, if the obligation was made on November 7, 2023, the obligation must be reported by no later than December 31, 2023, and requires annual update and maintenance thereafter.

Subrecipient Monitoring (2 CFR §200.331)

If an ESD issues a subrecipient award from federal funding received, the ESD is required to fulfill certain requirements and responsibilities with regard to that award.

- The subaward agreement must contain specific information that clearly identifies federal subaward information. Those requirements are described in detail in 2 CFR §200.331(a)(1-6).
- The ESD must evaluate each subrecipient’s risk of noncompliance and establish appropriate monitoring procedures based on the risk assessment, as described in 2 CRF §200.331(b)(1-4).

- Consider imposing specific subaward conditions if appropriate based on the risk assessment.
- Monitor the activities of the subrecipient as necessary to ensure the subaward is used for authorized purposes, is in compliance with required provisions, and the subaward goals are achieved. Such monitoring should be well documented and include review of financial and performance reports as required by the ESD and follow-up on any appropriate actions to correct identified deficiencies, if any. Monitoring procedures will be determined based on risk assessment. Tools for monitoring may include:
    - Providing training and technical assistance
    - Performing desk reviews, including monitoring of budget to actual performance for the award
    - Performing on-site reviews or limited scope "audits"
    - Requesting detail documentation and validation of procedures and underlying documentation of expenses charged.
- Verify subrecipients are audited as required by 2 CFR 200 Subpart F.
- Consider whether the results of risk assessment, monitoring results, or audit reports issued necessitate adjustments to the subrecipient's award.
- Consider taking enforcement action against noncompliant subrecipients as descripted in 2 CFR §200.338.

AUDITS OF FEDERAL GRANTS

Audit Requirements

The Single Audit Act of 1984 (with amendments in 1996) and 2 CFR §200.500 (superseded OMB Circular A-133) provide audit requirements for ensuring federal funds are expended properly. A single audit is intended to provide a cost-effective audit for non-federal entities in that one audit is conducted instead of multiple audits of individual programs.

A single audit encompasses an ESD's:

- Financial statements
- Schedule of Expenditures of Federal Awards
- Internal controls over federal programs
- Compliance with direct and material laws and regulations applicable to federal programs

Grantees that expend $750,000 or more in a year in total federal awards are required to have a single audit. Grantees that expend less than $750,000 in federal awards are exempt from federal audit requirements that year, but records must be available for review or audit by appropriate officials of the federal agency, pass-through entity, and Government Accountability Office (GAO).

Compliance Supplement

The Compliance Supplement is issued every year by the Office of Management and Budget. It is used by auditors to understand a federal program's objectives, procedures, and compliance requirements relevant to the audit. The Compliance Supplement also provides audit objectives and suggested audit procedures.

Audit Follow-Up and Resolution

Single audit reports are reviewed by federal granting agencies and OSPI. Any findings related to an award provided directly by a federal agency must be resolved to the satisfaction of the granting agency. In Washington State, the audit resolution process is handled by OSPI for both state and federal findings related to awards passed through OSPI. The audit resolution process includes recovering any disallowed costs.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

All ESDs must prepare a Schedule of Expenditures of Federal Awards (SEFA), regardless of the minimum federal award threshold to receive a single audit. The SEFA lists expenditures for individual federal programs by federal agency and is used by auditors to help determine which federal programs will be audited. It is important that it is complete and accurate. The SEFA is included in the audit report, and the auditor must opine on whether it is fairly stated in all material respects.

Awards received as a contractor of vendor from a federal agency are not reported on the SEFA. Refer to the section above on "Subrecipent and Contractor Determinations"

Electronic filing is now available for districts, and is required. The SEFA must be submitted via the Online Filing option on the State Auditor's website at: SAO.

The SEFA is included as a part of the ESD's financial statements. Further information on the SEFA can be found in the Administrative, Budgeting, and Financial Reporting (ABFR) Handbook, or on the website for the State Auditor's Office.

APPENDIX A –
EDUCATIONAL SERVICE DISTRICTS
COST ALLOCATION PLAN

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INTRODUCTION AND PURPOSE

The purpose of this cost allocation plan is to summarize the methods and procedures that the educational service districts (ESDs) of the state of Washington shall use to allocate costs to programs, grants, contracts and agreements (hereinafter referred to as cost objectives) in accordance with CFR Part 200 Appendix V for State and Local Government and Indian Tribe-Wide Central Service Cost Allocation Plans.

AUTHORITY

ESDs are under the direction and authority of the Office of Superintendent of Public Instruction by provisions of RCW Chapter 28A.300 and 28A.310. Cognizant agency oversight and approval of the ESDs' indirect cost rate and cost allocation plan is provided by OSPI.

DEFINITIONS

Direct Costs

Costs that can be identified specifically with a particular cost objective. May be incurred in a shared cost pool.

Central Service Costs.

Costs incurred in a central service cost pool (aka shared cost pools) that may be assigned to a benefitting program through a utilization basis without effort disproportionate to the results achieved (CFR 200.56). Central service costs may be billed to benefitting programs based on a cost allocation plan. Central service costs not billed to programs are included in the indirect cost pool.

Indirect Costs.

Costs that have been incurred for common or joint objectives and cannot be readily identified with a particular cost objective specifically benefited without effort disproportionate to the results achieved (CFR 200.56). Typically referred to as indirect costs or general and administrative costs (G&A).

Allowable Costs

Only costs that are allowable, in accordance with cost principles, will be allocated to cost objectives. Under UGG, allowable costs must be reasonable and allocable.

Allocable Costs

A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to that cost objective according to the relative benefits received and is treated consistently with other costs incurred for the same purpose in like circumstance. (UGG §200.405)

SUMMARY OF METHODOLOGY

Uniform Grant Guidance (UGG) CFR Part 200 establishes principles for determining costs of grants, contracts and other agreements with the Federal government. Under Federal cost principles, methodologies for charging costs to Federal programs must be consistent with methodologies used for all state and locally funded cost objectives. Only costs that are allowable, in accordance with Federal cost principles, will be allocated to cost objectives through application of any of the approved methods.

ESDs use a common accounting system that facilitates accounting through use of a table-driven chart of accounts, recording both budgeted and actual costs. The chart of accounts is flexibly structured to accommodate multiple segmentation of activities. The account code structure available for expenses is as follows:

ESD Account Code Structure	
Major Cost Center Program	Defined by OSPI
Cost Center Subprogram	Defined by each ESD – grants, contracts, etc.
Activity Codes	Defined by OSPI
Object Codes	Broad chart definitions provided by OSPI with subcodes defined by each ESD as appropriate to their operations
Project Codes	Defined by each ESD
Optional Segmentation Codes	Two 4-digit fields, defined by each ESD

Costs are charged to cost objectives through payroll, accounts payable, and general ledger voucher entries as follows:

A. All allowable direct costs shall be charged directly to cost objectives as they are incurred.

B. Allowable direct costs which can be identified and are attributable to individual cost objectives may be incurred where it is not cost effective to assign as a direct cost with each billing element. Such costs may be accumulated in a central service or shared cost pool and allocated to individual cost objectives through proration on a utilization base most appropriate to the particular shared cost being prorated. Central service cost pools shall be recorded in the **02 program code** for ESDs as defined in OSPI's Annual Accounting Manual for ESDs.

C. All other allowable general and administrative costs, incurred for common objectives, shall be allocated to final cost objectives using the rate approved by OSPI under approved rate agreements for ESDs. Indirect G&A costs shall be recorded in the **01 program codes** for ESDs as defined in OSPI's Annual Accounting Manual for ESDs. Central service cost pools, except as allocable to indirect cost centers as direct costs, are excluded from the indirect rate approved by OSPI.

D. Unallowable costs under Uniform Grant Guidance CFR Part 200 shall be treated as direct costs and allocated their share of central service cost pools, as appropriate, and indirect G&A costs.

CENTRAL SERVICE COST POOL – COST ALLOCATION PLANS

Each ESD shall identify a basis, consistent with the approved plan, to allocate the central service cost pools and prepare their District Plan, at least annually, for allocation of central service costs. The basis for allocation shall be updated if significant changes occur, generally defined as likely to result in a greater than 10% variance. The District Plan for individual ESDs should be in sufficient detail as to support audit of the cost components of the Plan to determine reasonableness of allocations made and should include:

a. A sufficiently detailed organization chart of operations including central service activities that documents the benefit of central services to allocated programs,

b. A budget projection of the year's various allocated central service cost pools, and
c. Review and reconciliation of actual allocated central service cost pools to the Plan used for either the most recently completed year or the year immediately preceding the most recently completed year.

Compliance with approved cost allocation plans shall be certified annually to OSPI on the "Annual Cost Allocation Certification" found at the end of this Chapter section.

Information below summarizes the procedures that shall be commonly used by educational service districts to prorate direct costs incurred in central service cost pools. Substantial variance from the approved methodologies must be approved by OSPI in writing. The following have been commonly identified by ESDs as central service cost pools with allocable costs:

Central Service Cost Pools		
I. Taxes & Benefits	IV. Technology	VII. Photocopy Charges
II. Facilities	V. Vehicles and Motor Pool	
III. Telephone Systems	VI. Print Centers	

I. TAXES & BENEFITS	
BASIS	**EXPENDITURES INCLUDED**
Individual time distribution via Time & Effort reporting.	i. Workers' compensation and Labor & Industries: per hour basis ii. Unemployment tax: % of salaries and wages (may include cost of claims paid if self-insured) iii. FICA and Medicare taxes: % of salaries and wages iv. Insurance: per individual based on FTE eligibility v. Retirement benefits: % of salaries and wages vi. Compensated absences: FTE T&E distribution, as allowable; termination leave for vacation and sick leave; sick leave buyback vii. Administrative costs of third-party administrators or for pools, as applicable

II. FACILITIES	
BASIS	**EXPENDITURES INCLUDED**
Square Footage (usage), including an allocated share of common use areas.	i. Rent and Lease expense; agency-wide furnishing and building equipment purchases; Depreciation of real property and capitalized agency-wide equipment purchases (furnishings, tenant improvements, etc.) ii. Interest and fees on debt issued for acquisition of real property, as allowed (principal payments are excluded) iii. Utilities iv. Supplies v. Maintenance and custodial contractual fees; facility parking lot and grounds maintenance vi. Travel related to facility services vii. Salaries, taxes, and benefits for facilities staff and shared costs allocable to FTE viii. Property insurance

III. TELEPHONE	
BASIS	**EXPENDITURES INCLUDED**
Number of connections assigned, by individual.	i. System and equipment acquisition cost: lease or depreciation and interest expense on capitalized system purchase ii. Repair and maintenance service contracts iii. Line and service charges; monthly cell carrier service charges. iv. Receptionist and operator costs: salary, taxes and benefits, and shared costs allocable to FTE v. Employee device set-up and management costs: salary, taxes and benefits, and shared costs allocable to FTE
If phone systems are treated as networked devices in the technology pool, related costs may be allocated under that allocation basis (pool IV. Technology and Networked Devices)	

IV. TECHNOLOGY & NETWORKED DEVICES	
BASIS	**EXPENDITURES INCLUDED**
Number of networked devices (may be defined as networked FTE) served through shared expenditures, including but not limited to desk top computers, laptop computers, printers and other networked devices (i.e., networked phones) as appropriate to each ESD's service delivery configuration.	i. Servers, hubs, switches and switching connectivity equipment; system and equipment acquisition costs including lease or depreciation and interest expense on capitalized system purchase ii. May include computers, laptops and mobile devices if ESD acquires through shared cost pool iii. Internet connectivity and email system access – line charges, wiring, and equipment costs iv. System-wide software application and license fees (i.e., Microsoft Office, anti-virus applications, filtering software, system data bases, etc.); firewalls v. Repair and maintenance of system equipment; diagnostics vi. Supplies and other contractual services directly attributable to technology and networked device support vii. Travel for support services viii. Salaries, taxes, and benefits for technology support staff and shared costs allocable to FTE

V. VEHICLES & MOTOR POOL	
BASIS	**EXPENDITURES INCLUDED**
Method 1 *Utilization based on relative miles driven.* **Method 2** *per mileage rate (typically IRS rate).*	i. Equipment acquisition cost: lease or depreciation and interest expense on capitalized equipment purchase ii. Insurance iii. Supplies: fuel, tires iv. Repair and maintenance, including service contracts v. Salary, taxes, and benefits of staff to support and manage motor pool vehicle and shared costs allocable to FTE

VI. PRINT CENTERS	
BASIS	**EXPENDITURES INCLUDED**
Method 1 *for ESDs only producing for internal programs:* Number of copies or documents produced during the same period expenditures are incurred.	i. Equipment acquisition cost: lease or depreciation and interest expense on capitalized equipment purchase ii. Paper iii. Supplies and other contractual costs, including overage or utilization charges iv. Repair and maintenance, including service contracts v. Salary, taxes and benefits of print center staff and shared costs allocable to FTE
Method 2 *for ESDs producing for external agencies under interlocal purchasing:* Copies or documents produced charged according to published pricing schedule.	

VII. PHOTOCOPY CHARGES	
BASIS	**EXPENDITURES INCLUDED**
Number of photocopies produced during the same time period that expenditures are collected.	i. Equipment acquisition cost: lease or depreciation and interest expense on capitalized equipment purchase ii. Overage or utilization charges iii. Paper iv. Supplies – toner, etc. v. Repair and maintenance, including service contracts vi. Salary, taxes, and benefits to support and manage photocopy equipment and contracts and shared costs allocable to FTE

ANNUAL COST ALLOCATION CERTIFCATION

This is to certify that I have reviewed the cost allocation plan and to the best of my knowledge and belief:

(1) All shared cost pools for the fiscal year ending August 31, _____ have been allocated to cost objectives in compliance with the OSPI-approved cost allocation plan;

(2) All costs in shared cost pools are allowable in accordance with the requirements of 2 CFR Chapters I and II, Part 200 "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" and the federal awards to which they apply;

(3) Unallowable costs have been allocated their share of allocable costs and adjusted for in allocating costs as indicated under the approved plan;

(4) All costs included in this plan are properly allocable to federal awards on the basis of a beneficial or causal relationship between the expenditures incurred and the federal awards to which they are allocated in accordance with applicable requirements;

(5) Similar type of costs have been accounted for consistently; and

(6) All shared cost pools recovered as direct costs have been excluded from indirect cost recovery rates as approved by OSPI.

I declare that the foregoing is true and correct.

ESD Name: ____

Name of Official: ____

Title: ____

Signature: ____

Date: _______________

APPENDIX B – PROGRAM EXPENDITURE MATRICES

PROGRAM EXPENDITURE MATRICES

Program 01 – ESD Core Governmental and Indirect Services

Objects of Expenditure

Activity	Total	Debit Transfer (0)	Credit Transfer (1)	Certificated Salaries (2)	Classified Salaries (3)	Employee Benefits (4)	Supplies & Materials (5)	Purchased Services (7)	Travel (8)	Capital Outlay (9)
11 Board of Directors			XXXX	XXXX	XXXX	XXXX				
12 Superintendent's Office			XXXX							
13 Business Office			XXXX							
14 Financial Services			XXXX							
15 Human Resources			XXXX							
16 Regional Committee			XXXX							
17 Public Information			XXXX							
22 Curriculum Support			XXXX							
23 Certification			XXXX							
89 Depreciation				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	
98 General Support										
99 Transfers				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
TOTALS										

Program 02 – ESD Direct Cost Centers and Agency Services

Objects of Expenditure

Activity	Total	Debit Transfer (0)	Credit Transfer (1)	Certificated Salaries (2)	Classified Salaries (3)	Employee Benefits (4)	Supplies & Materials (5)	Purchased Services (7)	Travel (8)	Capital Outlay (9)
60 Facilities			XXXX							
72 Information Systems										
73 Printing and Copying										
75 Motor Pool										
83 Debt Service–Interest			XXXX	XXXX	XXXX	XXXX	XXXX		XXXX	XXXX
84 Debt Service–Principal			XXXX	XXXX	XXXX	XXXX	XXXX		XXXX	XXXX
89 Depreciation				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	
98 General Support										
99 Transfers				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
TOTALS										

Program 10 – Instructional Resources

Objects of Expenditure

Activity	Total	Debit Transfer (0)	Credit Transfer (1)	Certificated Salaries (2)	Classified Salaries (3)	Employee Benefits (4)	Supplies & Materials (5)	Purchased Services (7)	Travel (8)	Capital Outlay (9)
21 Staff Development			XXXX							
27 Direct Instruction			XXXX							
60 Facilities			XXXX							
83 Debt Service—Interest			XXXX	XXXX	XXXX	XXXX	XXXX		XXXX	XXXX
89 Depreciation				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	
98 General Support			XXXX							
99 Transfers				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
TOTALS										

Program 12 – Special Education

Objects of Expenditure

Activity	Total	Debit Transfer (0)	Credit Transfer (1)	Certificated Salaries (2)	Classified Salaries (3)	Employee Benefits (4)	Supplies & Materials (5)	Purchased Services (7)	Travel (8)	Capital Outlay (9)
21 Staff Development			XXXX							
26 Health & Related Services			XXXX							
27 Direct Instruction			XXXX							
60 Facilities			XXXX							
83 Debt Service—Interest			XXXX	XXXX	XXXX	XXXX	XXXX		XXXX	XXXX
89 Depreciation				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	
98 General Support			XXXX							
99 Transfers				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
TOTALS										

Program 13 – Special Education—Cooperatives

Objects of Expenditure

Activity	Total	Debit Transfer (0)	Credit Transfer (1)	Certificated Salaries (2)	Classified Salaries (3)	Employee Benefits (4)	Supplies & Materials (5)	Purchased Services (7)	Travel (8)	Capital Outlay (9)
21 Staff Development			XXXX							
26 Health & Related Services			XXXX							
27 Direct Instruction			XXXX							
60 Facilities			XXXX							
83 Debt Service—Interest			XXXX	XXXX	XXXX	XXXX	XXXX		XXXX	XXXX
89 Depreciation				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	
98 General Support			XXXX							
99 Transfers				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
TOTALS										

Program 16 – Staff Development

Objects of Expenditure

Activity	Total	Debit Transfer (0)	Credit Transfer (1)	Certificated Salaries (2)	Classified Salaries (3)	Employee Benefits (4)	Supplies & Materials (5)	Purchased Services (7)	Travel (8)	Capital Outlay (9)
21 Staff Development			XXXX							
27 Direct Instruction			XXXX							
60 Facilities			XXXX							
83 Debt Service—Interest			XXXX	XXXX	XXXX	XXXX	XXXX		XXXX	XXXX
89 Depreciation				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	
98 General Support			XXXX							
99 Transfers				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
TOTALS										

Program 18 – Educational Technology

Objects of Expenditure

Activity	Total	Debit Transfer (0)	Credit Transfer (1)	Certificated Salaries (2)	Classified Salaries (3)	Employee Benefits (4)	Supplies & Materials (5)	Purchased Services (7)	Travel (8)	Capital Outlay (9)
21 Staff Development			XXXX							
27 Direct Instruction			XXXX							
60 Facilities			XXXX							
72 Information Systems			XXXX							
83 Debt Service—Interest			XXXX	XXXX	XXXX	XXXX	XXXX		XXXX	XXXX
89 Depreciation				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	
98 General Support			XXXX							
99 Transfers				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
TOTALS										

Program 19 – K–20

Objects of Expenditure

Activity	Total	Debit Transfer (0)	Credit Transfer (1)	Certificated Salaries (2)	Classified Salaries (3)	Employee Benefits (4)	Supplies & Materials (5)	Purchased Services (7)	Travel (8)	Capital Outlay (9)
21 Staff Development			XXXX							
27 Direct Instruction			XXXX							
60 Facilities			XXXX							
72 Information Systems			XXXX							
83 Debt Service—Interest			XXXX	XXXX	XXXX	XXXX	XXXX		XXXX	XXXX
89 Depreciation				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	
98 General Support			XXXX							
99 Transfers				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
TOTALS										

Program 20 – Safe and Drug-Free Schools

Objects of Expenditure

Activity	Total	Debit Transfer (0)	Credit Transfer (1)	Certificated Salaries (2)	Classified Salaries (3)	Employee Benefits (4)	Supplies & Materials (5)	Purchased Services (7)	Travel (8)	Capital Outlay (9)
21 Staff Development			XXXX							
27 Direct Instruction			XXXX							
60 Facilities			XXXX							
83 Debt Service—Interest			XXXX	XXXX	XXXX	XXXX	XXXX		XXXX	XXXX
89 Depreciation				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	
98 General Support			XXXX							
99 Transfers				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
TOTALS										

Program 21 – Special Education—Educational Service Agency—State

Objects of Expenditure

Activity	Total	Debit Transfer (0)	Credit Transfer (1)	Certificated Salaries (2)	Classified Salaries (3)	Employee Benefits (4)	Supplies & Materials (5)	Purchased Services (7)	Travel (8)	Capital Outlay (9)
21 Staff Development			XXXX							
27 Direct Instruction			XXXX							
60 Facilities			XXXX							
83 Debt Service—Interest			XXXX	XXXX	XXXX	XXXX	XXXX		XXXX	XXXX
89 Depreciation				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	
98 General Support			XXXX							
99 Transfers				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
TOTALS										

Program 22 – Traffic Safety

Objects of Expenditure

Activity	Total	Debit Transfer (0)	Credit Transfer (1)	Certificated Salaries (2)	Classified Salaries (3)	Employee Benefits (4)	Supplies & Materials (5)	Purchased Services (7)	Travel (8)	Capital Outlay (9)
21 Staff Development			XXXX							
27 Direct Instruction			XXXX							
60 Facilities			XXXX							
83 Debt Service—Interest			XXXX	XXXX	XXXX	XXXX	XXXX		XXXX	XXXX
89 Depreciation				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	
98 General Support			XXXX							
99 Transfers				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
TOTALS										

Program 23 – Special Education—Educational Service Agency—Federal

Objects of Expenditure

Activity	Total	Debit Transfer (0)	Credit Transfer (1)	Certificated Salaries (2)	Classified Salaries (3)	Employee Benefits (4)	Supplies & Materials (5)	Purchased Services (7)	Travel (8)	Capital Outlay (9)
21 Staff Development			XXXX							
27 Direct Instruction			XXXX							
60 Facilities			XXXX							
83 Debt Service—Interest			XXXX	XXXX	XXXX	XXXX	XXXX		XXXX	XXXX
89 Depreciation				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	
98 General Support			XXXX							
99 Transfers				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
TOTALS										

Program 24 – Math and Science

Objects of Expenditure

Activity	Total	Debit Transfer (0)	Credit Transfer (1)	Certificated Salaries (2)	Classified Salaries (3)	Employee Benefits (4)	Supplies & Materials (5)	Purchased Services (7)	Travel (8)	Capital Outlay (9)
21 Staff Development			XXXX							
27 Direct Instruction			XXXX							
60 Facilities			XXXX							
83 Debt Service—Interest			XXXX	XXXX	XXXX	XXXX	XXXX		XXXX	XXXX
89 Depreciation				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	
98 General Support			XXXX							
99 Transfers				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
TOTALS										

Program 25 – Communication, Reading, and Writing

Objects of Expenditure

Activity	Total	Debit Transfer (0)	Credit Transfer (1)	Certificated Salaries (2)	Classified Salaries (3)	Employee Benefits (4)	Supplies & Materials (5)	Purchased Services (7)	Travel (8)	Capital Outlay (9)
21 Staff Development			XXXX							
27 Direct Instruction			XXXX							
60 Facilities			XXXX							
83 Debt Service—Interest			XXXX	XXXX	XXXX	XXXX	XXXX		XXXX	XXXX
89 Depreciation				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	
98 General Support			XXXX							
99 Transfers				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
TOTALS										

Program 26 – Art

Objects of Expenditure

Activity	Total	Debit Transfer (0)	Credit Transfer (1)	Certificated Salaries (2)	Classified Salaries (3)	Employee Benefits (4)	Supplies & Materials (5)	Purchased Services (7)	Travel (8)	Capital Outlay (9)
21 Staff Development			XXXX							
27 Direct Instruction			XXXX							
60 Facilities			XXXX							
83 Debt Service—Interest			XXXX	XXXX	XXXX	XXXX	XXXX		XXXX	XXXX
89 Depreciation				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	
98 General Support			XXXX							
99 Transfers				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
TOTALS										

Program 27 – Social Studies

Objects of Expenditure

Activity	Total	Debit Transfer (0)	Credit Transfer (1)	Certificated Salaries (2)	Classified Salaries (3)	Employee Benefits (4)	Supplies & Materials (5)	Purchased Services (7)	Travel (8)	Capital Outlay (9)
21 Staff Development			XXXX							
27 Direct Instruction			XXXX							
60 Facilities			XXXX							
83 Debt Service—Interest			XXXX	XXXX	XXXX	XXXX	XXXX		XXXX	XXXX
89 Depreciation				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	
98 General Support			XXXX							
99 Transfers				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
TOTALS										

Program 28 – Environmental Education

Objects of Expenditure

Activity	Total	Debit Transfer (0)	Credit Transfer (1)	Certificated Salaries (2)	Classified Salaries (3)	Employee Benefits (4)	Supplies & Materials (5)	Purchased Services (7)	Travel (8)	Capital Outlay (9)
21 Staff Development			XXXX							
27 Direct Instruction			XXXX							
60 Facilities			XXXX							
83 Debt Service—Interest			XXXX	XXXX	XXXX	XXXX	XXXX		XXXX	XXXX
89 Depreciation				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	
98 General Support			XXXX							
99 Transfers				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
TOTALS										

Program 30 – Highly Capable

Objects of Expenditure

Activity	Total	Debit Transfer (0)	Credit Transfer (1)	Certificated Salaries (2)	Classified Salaries (3)	Employee Benefits (4)	Supplies & Materials (5)	Purchased Services (7)	Travel (8)	Capital Outlay (9)
21 Staff Development			XXXX							
27 Direct Instruction			XXXX							
60 Facilities			XXXX							
83 Debt Service—Interest			XXXX	XXXX	XXXX	XXXX	XXXX		XXXX	XXXX
89 Depreciation				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	
98 General Support			XXXX							
99 Transfers				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
TOTALS										

Program 32 – Vocational

Objects of Expenditure

Activity	Total	Debit Transfer (0)	Credit Transfer (1)	Certificated Salaries (2)	Classified Salaries (3)	Employee Benefits (4)	Supplies & Materials (5)	Purchased Services (7)	Travel (8)	Capital Outlay (9)
21 Staff Development			XXXX							
27 Direct Instruction			XXXX							
60 Facilities			XXXX							
83 Debt Service—Interest			XXXX	XXXX	XXXX	XXXX	XXXX		XXXX	XXXX
89 Depreciation				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	
98 General Support			XXXX							
99 Transfers				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
TOTALS										

Program 34 – Early Childhood

Objects of Expenditure

Activity	Total	Debit Transfer (0)	Credit Transfer (1)	Certificated Salaries (2)	Classified Salaries (3)	Employee Benefits (4)	Supplies & Materials (5)	Purchased Services (7)	Travel (8)	Capital Outlay (9)
20 Supervision of Instruction			XXXX							
21 Staff Development			XXXX							
26 Health & Related Services			XXXX							
27 Direct Instruction			XXXX							
41 Supervision Food Services			XXXX							
42 Food			XXXX							
44 Food Operations			XXXX							
60 Facilities			XXXX							
72 Information Systems			XXXX							
83 Debt Service—Interest			XXXX	XXXX	XXXX	XXXX	XXXX		XXXX	XXXX
89 Depreciation				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	
98 General Support			XXXX							
99 Transfers				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
TOTALS										

Program 36 – Migrant Education

Objects of Expenditure

Activity	Total	Debit Transfer (0)	Credit Transfer (1)	Certificated Salaries (2)	Classified Salaries (3)	Employee Benefits (4)	Supplies & Materials (5)	Purchased Services (7)	Travel (8)	Capital Outlay (9)
21 Staff Development			XXXX							
26 Health & Related Services			XXXX							
27 Direct Instruction			XXXX							
60 Facilities			XXXX							
83 Debt Service—Interest			XXXX	XXXX	XXXX	XXXX	XXXX		XXXX	XXXX
89 Depreciation				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	
98 General Support			XXXX							
99 Transfers				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
TOTALS										

Program 38 – Alternative Learning Experience

Objects of Expenditure

Activity	Total	Debit Transfer (0)	Credit Transfer (1)	Certificated Salaries (2)	Classified Salaries (3)	Employee Benefits (4)	Supplies & Materials (5)	Purchased Services (7)	Travel (8)	Capital Outlay (9)
21 Staff Development			XXXX							
26 Health & Related Services			XXXX							
27 Direct Instruction			XXXX							
60 Facilities			XXXX							
83 Debt Service—Interest			XXXX	XXXX	XXXX	XXXX	XXXX		XXXX	XXXX
89 Depreciation				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	
98 General Support			XXXX							
99 Transfers				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
TOTALS										

Program 40 – Student Assessment

Objects of Expenditure

Activity	Total	Debit Transfer (0)	Credit Transfer (1)	Certificated Salaries (2)	Classified Salaries (3)	Employee Benefits (4)	Supplies & Materials (5)	Purchased Services (7)	Travel (8)	Capital Outlay (9)
21 Staff Development			XXXX							
27 Direct Instruction			XXXX							
60 Facilities			XXXX							
83 Debt Service—Interest			XXXX	XXXX	XXXX	XXXX	XXXX		XXXX	XXXX
89 Depreciation				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	
98 General Support			XXXX							
99 Transfers				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
TOTALS										

Program 42 – State Institutions

Objects of Expenditure

Activity	Total	Debit Transfer (0)	Credit Transfer (1)	Certificated Salaries (2)	Classified Salaries (3)	Employee Benefits (4)	Supplies & Materials (5)	Purchased Services (7)	Travel (8)	Capital Outlay (9)
21 Staff Development			XXXX							
27 Direct Instruction			XXXX							
60 Facilities			XXXX							
83 Debt Service—Interest			XXXX	XXXX	XXXX	XXXX	XXXX		XXXX	XXXX
89 Depreciation				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	
98 General Support			XXXX							
99 Transfers				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
TOTALS										

Program 43 – State Institutions—Juveniles in Adult Jails

Objects of Expenditure

Activity	Total	Debit Transfer (0)	Credit Transfer (1)	Certificated Salaries (2)	Classified Salaries (3)	Employee Benefits (4)	Supplies & Materials (5)	Purchased Services (7)	Travel (8)	Capital Outlay (9)
21 Staff Development			XXXX							
27 Direct Instruction			XXXX							
60 Facilities			XXXX							
83 Debt Service—Interest			XXXX	XXXX	XXXX	XXXX	XXXX		XXXX	XXXX
89 Depreciation				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	
98 General Support			XXXX							
99 Transfers				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
TOTALS										

Program 46 – Health and Fitness

Objects of Expenditure

Activity	Total	Debit Transfer (0)	Credit Transfer (1)	Certificated Salaries (2)	Classified Salaries (3)	Employee Benefits (4)	Supplies & Materials (5)	Purchased Services (7)	Travel (8)	Capital Outlay (9)
21 Staff Development			XXXX							
26 Health & Related Services			XXXX							
27 Direct Instruction			XXXX							
60 Facilities			XXXX							
83 Debt Service—Interest			XXXX	XXXX	XXXX	XXXX	XXXX		XXXX	XXXX
89 Depreciation				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	
98 General Support			XXXX							
99 Transfers				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
TOTALS										

Program 48 – Professional Development Centers

Objects of Expenditure

Activity	Total	Debit Transfer (0)	Credit Transfer (1)	Certificated Salaries (2)	Classified Salaries (3)	Employee Benefits (4)	Supplies & Materials (5)	Purchased Services (7)	Travel (8)	Capital Outlay (9)
21 Staff Development			XXXX							
27 Direct Instruction			XXXX							
60 Facilities			XXXX							
83 Debt Service—Interest			XXXX	XXXX	XXXX	XXXX	XXXX		XXXX	XXXX
89 Depreciation				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	
98 General Support			XXXX							
99 Transfers				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
TOTALS										

Program 51 – Special Education—Infants and Toddlers—State

Objects of Expenditure

Activity	Total	Debit Transfer (0)	Credit Transfer (1)	Certificated Salaries (2)	Classified Salaries (3)	Employee Benefits (4)	Supplies & Materials (5)	Purchased Services (7)	Travel (8)	Capital Outlay (9)
21 Staff Development			XXXX							
27 Direct Instruction			XXXX							
60 Facilities			XXXX							
83 Debt Service—Interest			XXXX	XXXX	XXXX	XXXX	XXXX		XXXX	XXXX
89 Depreciation				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	
98 General Support			XXXX							
99 Transfers				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
TOTALS										

Program 58 – CARES Act Programs

Objects of Expenditure

Activity	Total	Debit Transfer (0)	Credit Transfer (1)	Certificated Salaries (2)	Classified Salaries (3)	Employee Benefits (4)	Supplies & Materials (5)	Purchased Services (7)	Travel (8)	Capital Outlay (9)
21 Staff Development			XXXX							
22 Curriculum Support			XXXX							
27 Direct Instruction			XXXX							
98 General Support			XXXX							
TOTALS										

Program 59 – Other Instructional Support Programs

Objects of Expenditure

Activity	Total	Debit Transfer (0)	Credit Transfer (1)	Certificated Salaries (2)	Classified Salaries (3)	Employee Benefits (4)	Supplies & Materials (5)	Purchased Services (7)	Travel (8)	Capital Outlay (9)
21 Staff Development			XXXX							
26 Health & Related Services			XXXX							
27 Direct Instruction			XXXX							
60 Facilities			XXXX							
83 Debt Service—Interest			XXXX	XXXX	XXXX	XXXX	XXXX		XXXX	XXXX
89 Depreciation				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	
98 General Support			XXXX							
99 Transfers				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
TOTALS										

Program 62 – Adult Education

Objects of Expenditure

Activity	Total	Debit Transfer (0)	Credit Transfer (1)	Certificated Salaries (2)	Classified Salaries (3)	Employee Benefits (4)	Supplies & Materials (5)	Purchased Services (7)	Travel (8)	Capital Outlay (9)
60 Facilities			XXXX							
83 Debt Service—Interest			XXXX	XXXX	XXXX	XXXX	XXXX		XXXX	XXXX
89 Depreciation				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	
98 General Support			XXXX							
99 Transfers				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
TOTALS										

Program 64 – Data Processing

Objects of Expenditure

Activity	Total	Debit Transfer (0)	Credit Transfer (1)	Certificated Salaries (2)	Classified Salaries (3)	Employee Benefits (4)	Supplies & Materials (5)	Purchased Services (7)	Travel (8)	Capital Outlay (9)
21 Staff Development			XXXX							
60 Facilities			XXXX							
72 Information Systems										
83 Debt Service—Interest			XXXX	XXXX	XXXX	XXXX	XXXX		XXXX	XXXX
89 Depreciation				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	
98 General Support			XXXX							
99 Transfers				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
TOTALS										

Program 66 – Risk Management

Objects of Expenditure

Activity	Total	Debit Transfer (0)	Credit Transfer (1)	Certificated Salaries (2)	Classified Salaries (3)	Employee Benefits (4)	Supplies & Materials (5)	Purchased Services (7)	Travel (8)	Capital Outlay (9)
60 Facilities			XXXX							
83 Debt Service—Interest			XXXX	XXXX	XXXX	XXXX	XXXX		XXXX	XXXX
89 Depreciation				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	
98 General Support			XXXX							
99 Transfers				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
TOTALS										

Program 68 – Public Communications

Objects of Expenditure

Activity	Total	Debit Transfer (0)	Credit Transfer (1)	Certificated Salaries (2)	Classified Salaries (3)	Employee Benefits (4)	Supplies & Materials (5)	Purchased Services (7)	Travel (8)	Capital Outlay (9)
60 Facilities			XXXX							
83 Debt Service—Interest			XXXX	XXXX	XXXX	XXXX	XXXX		XXXX	XXXX
89 Depreciation				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	
98 General Support			XXXX							
99 Transfers				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
TOTALS										

Program 70 – Transportation

Objects of Expenditure

Activity	Total	Debit Transfer (0)	Credit Transfer (1)	Certificated Salaries (2)	Classified Salaries (3)	Employee Benefits (4)	Supplies & Materials (5)	Purchased Services (7)	Travel (8)	Capital Outlay (9)
51 Transportation Supr.			XXXX							
52 Operating Buses			XXXX							
53 Maintenance on Buses			XXXX							
56 Insurance—Transport.			XXXX							
59 Purchase Rebuild Bus			XXXX							
60 Facilities			XXXX							
83 Debt Service—Interest			XXXX	XXXX	XXXX	XXXX	XXXX		XXXX	XXXX
89 Depreciation				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	
99 Transfers				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
TOTALS										

Program 72 – Environmental Compliance

Objects of Expenditure

Activity	Total	Debit Transfer (0)	Credit Transfer (1)	Certificated Salaries (2)	Classified Salaries (3)	Employee Benefits (4)	Supplies & Materials (5)	Purchased Services (7)	Travel (8)	Capital Outlay (9)
60 Facilities			XXXX							
83 Debt Service—Interest			XXXX	XXXX	XXXX	XXXX	XXXX		XXXX	XXXX
89 Depreciation				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	
98 General Support			XXXX							
99 Transfers				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
TOTALS										

Program 73 – Nursing Services

Objects of Expenditure

Activity	Total	Debit Transfer (0)	Credit Transfer (1)	Certificated Salaries (2)	Classified Salaries (3)	Employee Benefits (4)	Supplies & Materials (5)	Purchased Services (7)	Travel (8)	Capital Outlay (9)
21 Staff Development			XXXX							
26 Health & Related Services			XXXX							
27 Direct Instruction			XXXX							
60 Facilities			XXXX							
83 Debt Service—Interest			XXXX	XXXX	XXXX	XXXX	XXXX		XXXX	XXXX
89 Depreciation				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	
98 General Support			XXXX							
99 Transfers				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
TOTALS										

Program 74 – Human Resource Services

Objects of Expenditure

Activity	Total	Debit Transfer (0)	Credit Transfer (1)	Certificated Salaries (2)	Classified Salaries (3)	Employee Benefits (4)	Supplies & Materials (5)	Purchased Services (7)	Travel (8)	Capital Outlay (9)
60 Facilities			XXXX							
83 Debt Service—Interest			XXXX	XXXX	XXXX	XXXX	XXXX		XXXX	XXXX
89 Depreciation				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	
98 General Support			XXXX							
99 Transfers				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
TOTALS										

Program 76 – Employment Programs

Objects of Expenditure

Activity	Total	Debit Transfer (0)	Credit Transfer (1)	Certificated Salaries (2)	Classified Salaries (3)	Employee Benefits (4)	Supplies & Materials (5)	Purchased Services (7)	Travel (8)	Capital Outlay (9)
60 Facilities			XXXX							
83 Debt Service—Interest			XXXX	XXXX	XXXX	XXXX	XXXX		XXXX	XXXX
89 Depreciation				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	
98 General Support			XXXX							
99 Transfers				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
TOTALS										

Program 78 – Fiscal Agent Services

Objects of Expenditure

Activity	Total	Debit Transfer (0)	Credit Transfer (1)	Certificated Salaries (2)	Classified Salaries (3)	Employee Benefits (4)	Supplies & Materials (5)	Purchased Services (7)	Travel (8)	Capital Outlay (9)
60 Facilities			XXXX							
83 Debt Service—Interest			XXXX	XXXX	XXXX	XXXX	XXXX		XXXX	XXXX
89 Depreciation				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	
98 General Support			XXXX							
99 Transfers				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
TOTALS										

Program 80 – Group Purchasing

Objects of Expenditure

Activity	Total	Debit Transfer (0)	Credit Transfer (1)	Certificated Salaries (2)	Classified Salaries (3)	Employee Benefits (4)	Supplies & Materials (5)	Purchased Services (7)	Travel (8)	Capital Outlay (9)
60 Facilities			XXXX							
83 Debt Service—Interest			XXXX	XXXX	XXXX	XXXX	XXXX		XXXX	XXXX
89 Depreciation				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	
98 General Support			XXXX							
99 Transfers				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
TOTALS										

Program 82 – Equipment Repair

Objects of Expenditure

Activity	Total	Debit Transfer (0)	Credit Transfer (1)	Certificated Salaries (2)	Classified Salaries (3)	Employee Benefits (4)	Supplies & Materials (5)	Purchased Services (7)	Travel (8)	Capital Outlay (9)
60 Facilities			XXXX							
83 Debt Service—Interest			XXXX	XXXX	XXXX	XXXX	XXXX		XXXX	XXXX
89 Depreciation				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	
98 General Support			XXXX							
99 Transfers				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
TOTALS										

Program 89 – Other Noninstructional Support Programs

Objects of Expenditure

Activity	Total	Debit Transfer (0)	Credit Transfer (1)	Certificated Salaries (2)	Classified Salaries (3)	Employee Benefits (4)	Supplies & Materials (5)	Purchased Services (7)	Travel (8)	Capital Outlay (9)
21 Staff Development			XXXX							
27 Direct Instruction			XXXX							
60 Facilities			XXXX							
83 Debt Service—Interest			XXXX	XXXX	XXXX	XXXX	XXXX		XXXX	XXXX
89 Depreciation				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	
98 General Support			XXXX							
99 Transfers				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
TOTALS										

Program 99 – Transportation Equipment

Objects of Expenditure

Activity	Total	Debit Transfer (0)	Credit Transfer (1)	Certificated Salaries (2)	Classified Salaries (3)	Employee Benefits (4)	Supplies & Materials (5)	Purchased Services (7)	Travel (8)	Capital Outlay (9)
59 Purchase Rebuild Bus										
83 Debt Service—Interest			XXXX	XXXX	XXXX	XXXX	XXXX		XXXX	XXXX
89 Depreciation				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
99 Transfers				XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
TOTALS										

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