

# CHAPTER 9 – Information Unique to Each Fund

## Table of Contents

	Section - Page
<b>INTRODUCTION</b>	<b>1 – 1</b>
<b>THE GENERAL FUND</b>	<b>2 – 1</b>
<b>ASSOCIATED STUDENT BODY FUND (ASB)</b>	<b>3 – 1</b>
Introduction .....	1
Accounting Methods and Procedures .....	2
Suggested System of Accounting for the ASB Fund at the School Level .....	3
<b>ASSOCIATED STUDENT BODY FUND (ASB) GENERAL LEDGER ACCOUNTS</b>	<b>4 – 1</b>
<b>ASB FUND DESCRIPTION OF GENERAL LEDGER ACCOUNTS</b> .....	<b>2</b>
<b>Assets</b> .....	<b>2</b>
200* Imprest Cash .....	2
230* Cash on Hand.....	2
240 Cash on Deposit with County Treasurer .....	2
241 Warrants Outstanding .....	2
320* Due from Other Funds.....	3
330*▲ Due from Other Governmental Units .....	3
340*▲ Accounts Receivable .....	3
360*▲ Accrued Interest Receivable .....	3
410* Inventory—Supplies and Materials.....	3
430*▲ Prepaid Items.....	4
450* Investments .....	4
<b>Budgetary and Expenditure Accounts</b> .....	<b>4</b>
510*** Estimated Revenues.....	4
520*** Encumbrances.....	5
530* Expenditures.....	5
540*** Appropriated Fund Balance .....	5
560* Revenue Contra (960).....	6
<b>Liabilities</b> .....	<b>6</b>
601* ▲ Accounts Payable .....	6
602* ▲ Contracts Payable—Current .....	6
640* Due to Other Funds .....	6
650* Deposits.....	7
<b>Deferred Revenues</b> .....	<b>7</b>
750* ▲ Deferred Revenue.....	7
<b>Fund Balance</b> .....	<b>7</b>
“Reserve” and “Reserved” Accounts.....	7
“Unreserved” Accounts .....	7
➤ “Unreserved, designated” .....	8
➤ “Unreserved, undesignated” .....	8
810* Reserved for Other Items .....	8
820 Reserved for Encumbrances .....	8

840	Reserved for Inventory.....	8
850	Reserved for Uninsured Risks .....	9
870	Unreserved, Designated for Other Items .....	9
890*	Unreserved, Undesignated Fund Balance.....	9
898	Prior Year Corrections or Restatements .....	9
<b>Budgetary and Revenue Accounts .....</b>		<b>10</b>
900***	Appropriations.....	10
930	Expenditure Contra (530).....	10
960*	Revenues .....	10

**ASSOCIATED STUDENT BODY FUND (ASB) JOURNAL ENTRIES 5 – 1**

<b>Opening Entry .....</b>	<b>1</b>
<b>Budget Entry .....</b>	<b>1</b>
<b>Cash Imprest .....</b>	<b>1</b>
<b>Inventory—Supplies and Materials—Periodic Method.....</b>	<b>2</b>
<b>Investments .....</b>	<b>2</b>
<b>Expenditures .....</b>	<b>3</b>
<b>Accounts Payable .....</b>	<b>3</b>
<b>Contracts Payable.....</b>	<b>4</b>
<b>Encumbrances .....</b>	<b>4</b>
<b>Revenues .....</b>	<b>5</b>
<b>Interfund Receivables, Payables, and Transfers .....</b>	<b>5</b>
<b>Capital Assets—Purchase .....</b>	<b>6</b>
<b>Closing Entries.....</b>	<b>6</b>

**DEBT SERVICE FUND 6 – 1**

<b>Transfer of State Forest Revenue from the Debt Service Fund to the Capital Projects Fund .....</b>	<b>1</b>
<b>Introduction to Accounting for Advance Bond Refunding .....</b>	<b>1</b>
<b>Questions and Answers on the Regular Method of Advance Bond Refunding .....</b>	<b>3</b>
<b>Questions and Answers on the Crossover Method of Advance Bond Refunding .....</b>	<b>4</b>

**CAPITAL PROJECTS FUND 7 – 1**

<b>Capital Projects Fund Allowable Expenditures by Revenue Source .....</b>	<b>2</b>
<b>Capital Outlay Expenditures .....</b>	<b>4</b>
<b>Salaries .....</b>	<b>4</b>
<b>Repairs.....</b>	<b>5</b>
<b>Renovations .....</b>	<b>5</b>
<b>Initial Equipment.....</b>	<b>5</b>
<b>Replacement.....</b>	<b>5</b>
<b>Acquisition or Relocation of Modular (Portable) Buildings .....</b>	<b>5</b>
<b>Energy Capital Improvements .....</b>	<b>6</b>
<b>Ineligible Expenditures in the Capital Projects Fund .....</b>	<b>6</b>

Technology Expenditures and Capital Projects Fund Transfer Guidance .....	6
<b>TRANSPORTATION VEHICLE FUND</b> .....	<b>8 – 1</b>
<b>FIDUCIARY FUNDS</b> .....	<b>9 – 1</b>
<b>TRUST AND AGENCY FUNDS</b> .....	<b>1</b>
<b>Trust Funds</b> .....	<b>1</b>
Pension (and Other Employee Benefit) Trust Funds .....	1
Investment Trust Funds .....	1
Private-Purpose Trust Funds .....	2
<b>Trust Fund General Information</b> .....	<b>2</b>
<b>Trust Instruments</b> .....	<b>3</b>
<b>Establishment of Private-Purpose Trust Funds</b> .....	<b>3</b>
<b>General Fund Revenue Account 2500—Grants, Gifts, and Donations</b> .....	<b>3</b>
<b>Foundations</b> .....	<b>3</b>
<b>Budgeting</b> .....	<b>3</b>
<b>Gains and Losses of Private-Purpose Trust Investment Principal and Earnings</b> .....	<b>4</b>
<b>System of Accounting for Private-Purpose Trust Funds</b> .....	<b>4</b>
<b>Deposit and Investment of Trust Fund Moneys</b> .....	<b>4</b>
<b>Accounting Procedures</b> .....	<b>4</b>
<b>Disbursement of Trust Fund Moneys</b> .....	<b>5</b>
<b>Imprest Bank Checking Account</b> .....	<b>5</b>
<b>Accounting Records</b> .....	<b>6</b>
<b>Cash Receipts/Cash Receipts Journal</b> .....	<b>6</b>
<b>Check Register</b> .....	<b>6</b>
<b>Imprest Bank Checking Account Replenishment Request</b> .....	<b>6</b>
<b>Reconciliation of Imprest Bank Checking Account Statement</b> .....	<b>6</b>
<b>Payment Order</b> .....	<b>7</b>
<b>Individual Trust Account Balance Record and Treasurer’s Report</b> .....	<b>7</b>
<b>Accounts for Individual Trusts</b> .....	<b>7</b>
<b>TRUST FUND GENERAL LEDGER ACCOUNTS</b> .....	<b>10 – 1</b>
<b>Description of General Ledger Accounts</b> .....	<b>2</b>
<b>Abbreviations</b> .....	<b>2</b>
<b>Assets</b> .....	<b>2</b>
200* Imprest Cash .....	2
230* Cash on Hand .....	2
240 Cash on Deposit with County Treasurer .....	2
241 Warrants Outstanding .....	3
320* Due from Other Funds .....	3
340* Accounts Receivable .....	3
360* Accrued Interest Receivable .....	3
450* Investments .....	3
455* Investments—Deferred Compensation .....	4

460 Other Assets .....	4
490 Capital Assets—Land .....	4
491 Capital Assets—Buildings .....	4
493 Capital Assets—Equipment .....	4
498 Accumulated Depreciation—Buildings .....	4
499 Accumulated Depreciation—Equipment .....	4
<b>Expense Accounts .....</b>	<b>5</b>
530* Expenses .....	5
538* Nonoperating Expenses .....	5
<b>Liabilities .....</b>	<b>5</b>
601* Accounts Payable .....	5
635* Deferred Compensation Payable .....	5
640* Due to Other Funds .....	6
<b>Fund Balance .....</b>	<b>6</b>
810* Reserved for Other Items .....	6
850* Reserved for Uninsured Risk .....	6
855 Reserved for Trust Principal .....	6
870 Unreserved, Designated for Other Items .....	7
890* Unreserved, Undesignated Fund Balance .....	7
<b>Revenue Accounts .....</b>	<b>7</b>
960* Revenues .....	7
968* Nonoperating Revenue .....	8
 <b>TRUST FUND JOURNAL ENTRIES</b>	 <b>11 – 1</b>
<b>Opening Entry .....</b>	<b>1</b>
<b>Fund Balance—Reservation .....</b>	<b>1</b>
<b>Cash—Transfer to County Treasurer .....</b>	<b>1</b>
<b>Cash—Imprest (Optional) .....</b>	<b>1</b>
<b>Investments .....</b>	<b>2</b>
<b>Expenses .....</b>	<b>3</b>
<b>Revenues .....</b>	<b>3</b>
<b>Closing Entries .....</b>	<b>3</b>
 <b>AGENCY FUNDS</b>	 <b>12 – 1</b>
<b>Agency Funds .....</b>	<b>1</b>

## **INTRODUCTION**

This chapter provides information that is unique to each fund. Some information presented here may also be included in other parts of this manual, but it is included here so that those new to governmental accounting can obtain a general overview of each fund in one location.

As required by accounting standards, 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, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. (See Chapter 1, Section 2, Fund Accounting Systems, for additional information regarding fund accounting systems.)

The standards categorize funds into one of eleven fund types. These fund types are grouped into three general classifications:

- Governmental funds are used to account for tax-supported activities. GAAP establishes five governmental fund types; General Fund, Special Revenue Funds, Capital Projects Funds, Debt Service, and Permanent Funds. RCW 28A.320.330 requires school districts in Washington State to establish a General Fund, Capital Projects Fund, Debt Service Fund, and Associated Student Body Fund (Special Revenue Fund). RCW 28A.160.130 creates a Transportation Vehicle Fund (Capital Projects Fund).
- Proprietary funds are used to account for business-type activities of a government and are supported, at least in part, by fees or charges. Proprietary funds are **not** permitted for school districts in Washington State.
- 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, most school districts will only have one, the Private-Purpose Trust Fund.

In this chapter, with the exception of the Associated Student Body Fund (ASB) and Trust Fund (TF) sections, information pertaining to the general ledger accounts, revenue accounts, expenditure/expense accounts, and journal entries are not provided (see index for location of these items). The ASB and TF sections include these items to enable schools to use them as "pull-outs" for convenience.

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## **THE GENERAL FUND**

**General Fund—to account for all financial resources except those required to be accounted for in another fund.** (GASB Cod. Sec. 1100.103a[1]. See also Sec. 1300, “Fund Accounting.”)

The General Fund is financed from local, county, state, and federal sources. These revenues are generally used for financing the current ordinary normal and recurring operations of the school district such as programs of instruction for the students, food services, maintenance, data processing, printing, and pupil transportation. RCW 28A.320.330 requires **all school districts have a General Fund.**

The General Fund cannot be used for those purposes for which funds have been established for specific activities. However, in the state of Washington the General Fund may pay for associated student body expenditures even though there is an ASB fund. See also Chapter 9, Section 3, ASB.

The modified accrual basis of accounting is to be used in measuring financial position and operating results unless the district had less than 1,000 full-time equivalent students the previous fiscal year and has elected to utilize the cash basis for all funds except debt service (RCW 28A.505.020). See Chapter 1, Section 8, for additional information on the modified accrual basis of accounting.

This section does not include information pertaining to the general ledger accounts (Chapter 4), revenue accounts (Chapter 5), expenditure accounts (Chapter 6), or journal entries (Chapter 7). See the chapters indicated for detailed information in these areas.

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## **ASSOCIATED STUDENT BODY FUND (ASB)**

Special revenue funds are used to account for the proceeds of revenue sources (other than for major capital projects) that are legally restricted to expenditure for specified purposes. (GASB Cod. Sec. 1100.103a[2]. See also Sec. 1300, "Fund Accounting.")

The Associated Student Body Fund (ASB) is the only fund designated as a Special Revenue Fund in Washington school districts. Establishing and collecting fees from students and nonstudents as a condition of their attendance at any optional, noncredit, extracurricular event of the district finance this fund, in part. As a Special Revenue Fund, the ASB Fund is under the control, supervision, and approval of the board of directors, and the school district legally owns the resources accounted for in the ASB Fund. The ASB Fund is created by RCW 28A.320.330 and chapter 28A.325 RCW.

### **Introduction**

Since the financial resources of this fund are public resources or a public trust, the board of directors of each school district and/or its designees are responsible for the protection and control of these resources just as they are for other public funds placed in its custody. The laws governing the ASB Fund, and the rules and regulations developed by the Office of Superintendent of Public Instruction (OSPI) pursuant to those laws provide the legal and procedural framework for the board of directors of each school district to administer the ASB Fund. See chapter 28A.325 of the Revised Code of Washington (RCW) and chapter 392-138 of the Washington Administrative Code (WAC) relating to the ASB Fund.

### **Associated Student Body Moneys**

One of the stated purposes of the rules and regulations promulgated by OSPI is to encourage the supervised self-government of associated student bodies. The board of directors should develop policies and procedures to promote this goal. Except for nonassociated private money and moneys held in trust, the financial resources of the ASB fund are for the extracurricular benefit of the students. Their involvement in decision-making processes is an integral part of associated student body government. The students must have adult supervision to properly administer the associated student body programs, but that supervision must not exclude the students from participation in determining the uses of associated student body resources. In addition, subject to board policy, the board of directors may permit students to conduct fund-raising activities and solicitation of donations in their private capacities.

Final approval of associated student body activities rests with the board of directors, but the students determine what activities will constitute the associated student body program. Although no student activity may be a part of the associated student body program or participate in nonassociated private fundraising without the approval of the board of directors, the board has no power to initiate associated student body activities. The board of directors must set up a review and approval process for activities initiated by members of the associated student body. (WAC 392-138-013.)

The rules and regulations governing associated student body program financial resources require the board provide for associated student body participation in “the determination of the purposes for which associated student body financial resources shall be budgeted and disbursed.” Additionally, all supporting documentation must show evidence of student approval before associated student body moneys may be disbursed as budgeted.

### **Trust Moneys and Nonpublic Moneys**

Subject to board policy, the board of directors may permit students to conduct fund-raising activities and solicitation of donations in their private capacities. An associated student body that receives both public and private moneys must maintain two separate sets of accounts in such a manner that there is a complete segregation of these moneys in the accounting records (WAC 392-138-017).

One type of private donation is the Saul Haas fund. The Saul Haas Foundation distributes monies to public and private secondary schools so that school personnel, using their discretion, can identify and immediately respond to individual student needs. The most appropriate accounting for Saul Haas funds is in the Private Purpose Trust Fund. However, if the amount is “immaterial” (less than 5% of the ASB Fund total revenue) it can be accounted for in the ASB Fund, as long as the private money is easily identifiable within the accounting records. If the amount becomes material, the district will separate the Saul Haas funds and report them in the Private Purpose Trust Fund on their Annual Financial Statements (F-196).

## **Accounting Methods and Procedures**

### **Basis of Accounting**

The county treasurer for each school district that has an associated student body establishes an ASB Fund. All moneys generated through the programs and activities of any associated student body are required to be deposited in the ASB Fund. (WAC 392-138-115.)

Disbursements from this fund are made with the approval of the board of directors of the school district and are by warrant. In no case may warrants be issued in an amount greater than the moneys on deposit with the county treasurer in the ASB Fund (WAC 392-138-125).

WAC 392-138-014 (2) reads: “Whenever two or more associated student bodies exist within a school district, the accounting records shall be maintained in such a manner as to provide a separate accounting for the transactions of each associated student body in the associated student body program fund.”

The requirements of a separate accounting for each associated student body within a district and the limitation of disbursements to the money on deposit in the ASB Fund creates the need for current fund balance information. Receipts and disbursements must be recorded directly to the fund balance account. Two accounts, 560 Revenue Contra and 930 Expenditure Contra, are unique to the ASB Fund and make it possible to record receipts and disbursements directly to fund balance as well as to the revenues and expenditures accounts on a double-entry basis.

Another aspect of the ASB Fund accounting process is the existence of the imprest bank checking account option. The board of directors of a school district may authorize the use of an imprest bank checking account at the school level subject to the provisions of RCW 28A.325.030 and WAC 392-138-120.

### **League and Other Joint Activities**

Athletic leagues and other forms of joint interdistrict and intraschool district associated student body programs may be formed as provided by WAC 392-138-130. These joint programs also include those between public and private schools. The leagues and other joint activities shall be budgeted in the same manner as all other activities of the ASB Fund. When these joint programs exist and moneys must be managed, a managing district will be appointed and the joint program associated student body organization will exist in that district's ASB Fund organization.

If there is a managing district, all joint activity revenues will be deposited to the credit of the joint program associated student body organization and all joint activity expenditures charged to that organization. Net revenues (if any) after joint activity expenditures are paid will be distributed to the member schools according to the joint program allocation formula. Member schools within the managing district will receive their share of the net revenues by a transfer entry. Other districts will be paid by warrant. The district receiving the payment will further allocate the payment to member schools by transfer.

## **Suggested System of Accounting for the ASB Fund at the School Level**

### **Accounting Organization and Methods**

#### **➤ Introduction**

WAC 392-138-013 reads in part: "The board of directors of each school district shall . . . (1)(c) assign accounting functions, or portions thereof, to the school building level to be performed by a designated representative of an associated student body or centralize the accounting functions at the district central administrative office level; . . . ." The model school level accounting system illustrated in this section assumes a high degree of delegation of accounting functions to the school level. This approach should prove valuable for all school districts that delegate, in any degree, accounting functions to the school level. All, part, or none of this system may be used depending on the decision of the board of directors of each school district.

The principles embodied in this system are those necessary to satisfy minimum requirements for adequate accounting and control of associated student body moneys. Any district, whatever the accounting system used, must base that system on both the required and the generally accepted school business procedures, some of which are:

- Official prenumbered documents must be used to adequately safeguard and control the financial transactions of the associated student body. All tickets, membership cards, receipts, purchase orders, checks, etc., must be prenumbered and accurately controlled to ensure the integrity of the accounting system.
- All money upon receipt must be deposited timely and **intact** to the district depository bank and then to the county treasurer for credit to the ASB Fund of the district (WAC 392-138-115).

- All disbursements must be made by warrant or by check from an authorized imprest bank checking account as provided in RCW 28A.325.030 and WAC 392-138-120.
- Supporting documents must be kept for all disbursements made.
- An imprest bank checking account reconciliation statement must be made each month.
- At least once each month the imprest bank checking account will be replenished to its original authorized amount.
- Monthly and yearly financial statements must be prepared.

➤ **Organization**

There are four positions in the accounting organization of this system. They are:

- Primary Advisor.
- ASB Central Treasurer.
- Activity Advisor.
- Student Activity Treasurer.

The board of directors of each school district will designate a primary advisor to each associated student body according to the rules, policies and procedures of the local school district. When accounting functions are delegated to the school level, the board of directors will also designate an ASB central treasurer to perform those functions. The primary advisor will designate advisors to the various student activity groups that are part of the associated student body. Each student activity group will elect a student activity treasurer. The roles, responsibilities, and duties of the positions are:

**Primary advisor** (probably the school principal)—This designee of the board of directors will administer the associated student body program of a school. The duties of the primary advisor will include, but should not be limited to, the following:

- Appoint activity advisors to all student activity groups.
- Supervise the preparation of the annual financial budget.
- Submit to the board of directors for approval any new activities proposed by students.
- Review and approve the annual financial budget.
- Coordinate the implementation of the annual financial budget.
- Assure student participation in the ASB process.
- Approve all projects of student activity groups.
- Approve all purchases.
- Approve all disbursements from the imprest bank checking account.

**ASB central treasurer** (adult employed at the school)—It is recommended that the board of directors require the ASB central treasurer to be bonded for no less than the average cash balance in the possession of this individual. This designee of the board of directors will have the following responsibilities in accounting for the revenues and disbursements of the associated student body:

- Receive all associated student body moneys and immediately deposit them intact in the district depository bank.
- Issue official prenumbered receipts (tickets, cards, etc.) for all moneys received.
- Control all tickets, membership cards, and other official prenumbered documents.

- Issue official prenumbered activity purchase orders for all purchases except those made from petty cash.
- Ensure that moneys are available for purchases.
- Ensure that all documents are properly approved.
- Maintain accounting records of financial transactions and files of supporting documents. The following records and files are recommended in this system:
  - Cash receipts journal—A chronological record of all moneys received by the associated student body.
  - Check register—A written record of all checks written on the imprest bank checking account and all replenishment deposits.
  - Activity account balance record—A separate record will be kept for each student activity group and all receipts and disbursements of the group will be posted here. The current balance of the activity group's account is shown on this record.
  - Cash receipts file—All supporting documents for cash received will be kept on file.
  - Open purchase order file—The purchase order is filed separately until the purchase and invoice are received.
  - Disbursements file—All supporting documents for the imprest bank checking account disbursements (payment orders, invoices, purchase orders, vouchers, petty cash receipts, etc.) will be kept on file.
- At least once each month prepare an imprest bank checking account replenishment request and submit it to the district central office for replenishment of the imprest bank checking account.
- Prepare monthly financial statements.
- Prepare an imprest bank checking account reconciliation statement.

**Activity advisor** (a faculty member)—The primary advisor will appoint an activity advisor to each student activity group. The advisor will guide and supervise the activity groups and ensure compliance with WAC 392-138-011.

**Student activity treasurer** (elected by the student activity groups)—Each student activity will have a student activity treasurer. The student activity treasurer will work under the guidance and supervision of the activity advisor to safeguard the financial resources of the student activity group.

#### ➤ **Methods**

##### • **Budgeting**

In the ASB Fund each student activity group prepares a budget for the fiscal year. The budgets for all the student activity groups added together constitute the associated student body budget for the school. After the school associated student body budget is approved by the student council and the primary advisor, it is sent to the district superintendent or designee for approval and consolidation with all other associated student body budgets of the district which, when consolidated, will be the proposed ASB Fund budget for the district.

The schedule for completing the budgetary process will be as designated by the central district office and will provide for the completion of the ASB proposed budget prior to the completion of the student school year. This procedure and timing will provide for necessary student participation in the budgetary process as provided for

in chapter 392-138 WAC. The district board of directors must approve the ASB Fund budget before any expenditure may be made from the ASB Fund for the fiscal year.

It is important to note that no activity may have a negative ending balance. This means no student activity group can disburse moneys unless moneys are available in the student activity group's account. If payables are involved, they must be considered in determining moneys available. If there is not enough money available, moneys will need to be transferred (if the disbursement is approved and moneys are available) before the disbursement can be made. This process is called an interactivity transfer. This method of financial control is not mandatory but is a recommended method of controlling the use of associated student body moneys.

- **Imprest Bank Checking Account**

The use of an imprest bank checking account may be authorized by the board of directors as provided in RCW 28A.325.030 and WAC 392-138-120. Disbursements from the imprest bank checking account must be by check and restricted to the payment of invoices bearing student approval according to the requirements of the district central office.

The imprest bank checking account will be replenished at least once each month by a warrant drawn on the ASB Fund in the amount of disbursements made during the period. A replenishment request will be prepared at such time listing each check issued during the period.

The ASB central treasurer certifies by signing the replenishment request that all disbursements listed are in accordance with the laws, rules and regulations governing associated student bodies. The replenishment request will be sent to the district central office.

- **Petty Cash**

WAC 392-138-018 allows the board of directors to establish a petty cash fund for the making of change or when it is impracticable to make disbursements by check. The petty cash fund may be established by drawing a warrant on the ASB Fund or by writing a check drawn on the imprest bank checking account. All disbursements from the petty cash fund will be documented with receipts (WAC 392-138-125).

- **Interactivity Transfers**

The transfer of moneys between student activity groups will be accomplished by the use of an interactivity transfer. When approval has been received from the transferor and the transferee, the ASB central treasurer will enter the transfer on the activity account balance record of the student activity groups involved. The ASB central treasurer will retain copies of interactivity transfers.

## Accounting Procedures

### ➤ Revenues

#### • Control of Revenues

Procedures for ensuring prompt checking, recording, and deposit of cash will significantly reduce the confusion and possible loss of moneys that may occur when such procedures are not in effect.

These procedures will of course vary depending on the types of revenue being controlled. The general purpose is to use methods that allow a prior determination of the amount to be received. There are many procedures that may be used to control revenues from different types of revenue-producing activities. The following partial listing of procedures for the control of general classes of revenue-producing activities should demonstrate how the various techniques might be employed:

#### • Admissions

- Use official prenumbered tickets and take action to prevent fraudulent reuse.
- Give a definite (recorded) number of tickets and a definite amount of change to each ticket seller.
- Require each ticket seller to return all unused tickets, the full amount of change, and the exact amount of revenues promptly.
- Have responsible supervision and adequate staff to prevent undue haste.

#### • Membership Dues

- Provide official prenumbered receipts or membership cards.
- Give each solicitor a definite (recorded) number of receipts or membership cards.
- Require the return of all unused receipts or cards and the exact amount of money due.
- An adult should be designated to supervise the membership campaign.
- Solicitors should not issue receipts or cards on credit.

#### • Receipts from Sales, Campaigns, etc.

Whenever possible, issue official prenumbered receipts. If it is not possible to issue receipts, use other methods for the preaudit and control of revenues. When goods or other tangible items are being sold, an inventory method may be practical.

When the ASB central treasurer receives money from these types of revenue-producing activities, the ASB central treasurer will use at least a two-part ASB central treasurer's receipt. The ASB central treasurer will file the original and one will be given to the payer.

#### • Donations

Donations should be recorded in the minutes if received by a student activity group of the associated student body. Donations should adhere to the board policy of the district. The ASB central treasurer will issue a receipt as discussed under "Receipts from Sales" above when donations are received.

- **Nonassociated Private Moneys**

Districts may establish a board policy permitting students, in their private capacities, to raise moneys through fundraising and solicitation to be used for scholarship, student exchange, and/or charitable purposes. Prior to soliciting such moneys, notice identifying the intended purpose of the fundraiser must be given. Such notice must state the moneys so raised will be held in trust by the district and used only for the stated purpose (WAC 392-138-200). In addition to a board policy permitting such private fundraising, districts are strongly encouraged to adopt procedures to implement the policy.

- **Accounting for Revenues**

When money is received by the ASB central treasurer from the sale of tickets or membership cards, a ticket sales report will be prepared by the ASB central treasurer to provide a reconciliation between the tickets or membership cards sold and the cash received.

If the ASB central treasurer from revenue-producing activities not using tickets or membership cards receives money, the ASB central treasurer will issue at least a two-part ASB central treasurer's receipt. The original will be filed in the cash receipts file and one will be given to the payer.

**NOTE:** If it is necessary to void a prenumbered receipt, the word VOID should be written across the face of all copies, and all copies should remain attached in the receipt book.

The amount of the deposit will be recorded in the cash receipts journal. The amounts entered in the cash receipts journal must be posted to the activity account balance record for the student activity group receiving the revenue.

The ASB central treasurer will prepare a bank deposit slip in duplicate that will be signed by the primary advisor after checking the deposit for accuracy. The money will then be deposited in the district depository bank. A copy of the bank deposit slip, after verification, will be filed with all other cash receipt documents in the cash receipts file.

- **Purchasing Procedures**

All purchases except those made from the petty cash fund require the issuance of a purchase order. When a decision to purchase is made, the ASB central treasurer will:

- Determine whether the student activity group(s) has money in its account for the purchase.
- Determine whether the purchase needs district-level approval and therefore must be processed by the district central office.
- When the purchase may be approved at the school level, prepare a two-part activity purchase order that will be signed by the student activity treasurer, the activity advisor, the ASB central treasurer, and the primary advisor. The original of the activity purchase order will be sent to the vendor as evidence of the purchase contract. The duplicate will be filed in the ASB central treasurer's open purchase order file until the purchase and invoice are received.

➤ **Disbursements at the School Level**

The ASB central treasurer will process for payment all invoices for merchandise and services received. The following procedures pertain primarily to the payment for merchandise and only those procedures for processing the invoice would directly apply to the payment for services:

- The ASB central treasurer will receive the item ordered. He/she will check the item and packing slip, if any, against all details on the duplicate copy of the purchase order from the open purchase order file. If any differences appear, he/she will contact the vendor immediately in order that required corrections may be made.
- The packing slip should be attached to the purchase order or it should be otherwise indicated on the purchase order that the item has been received, and then return the purchase order to the open purchase order file until the invoice is received.
- If the invoice is received before the item, it should be attached to the purchase order and returned to the open purchase order file until the item is received.
- When the ASB central treasurer receives the invoice, it should be checked against the purchase order on file against the item received. This step includes the checking and reconciling of quantities, description detail, unit prices, extensions, discounts, dates, purchase order number, and all other significant data.
- When the invoice is found to be correct, the payment order should be prepared. The invoice will accompany the payment order when it is routed for signature. The payment order is the authorization to issue a check and will be signed by the student activity treasurer, the activity advisor, the primary advisor, and the ASB central treasurer.
- The signature of the ASB central treasurer certifies that all terms of the purchase contract have been met and the claim is due and legal.
- When the payment order has been approved, the ASB central treasurer will issue a check for the amount on the payment order. The number and date of the check will be entered on the payment order. The check will be forwarded to the vendor. The amount of the check will be entered in the check register and in the disbursements column of the activity account balance record.

➤ **Monthly Financial Reports**

At the end of each month, the ASB central treasurer will reconcile the balance shown on the imprest bank checking account statement to the balance shown on the check register.

From the activity account balance records, the ASB central treasurer will prepare a monthly ASB central treasurer's report. Each activity is shown in the report and the total of the end-of-month balances is equal to the total of the activity account balance records.

The district central office will need to receive copies of these reports to reconcile district records to school records. Some financial transactions of the associated student body may be recorded only at the district level, e.g., vouchers payable. With these reports the district can reconcile the two sets of records. This process must be completed each month to ensure that school financial records and district financial records are in agreement.

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**ASSOCIATED STUDENT BODY FUND (ASB) GENERAL LEDGER ACCOUNTS**

**ASSETS**

200*	Imprest Cash
230*	Cash on Hand
240	Cash on Deposit with County Treasurer
241	Warrants Outstanding
320*	Due From Other Funds
330* ▲	Due From Other Governmental Units
340* ▲	Accounts Receivable
360* ▲	Accrued Interest Receivable
410*	Inventory—Supplies and Materials
430* ▲	Prepaid Items
450*	Investments

**BUDGETARY AND EXPENDITURE ACCOUNTS**

510***	Estimated Revenues
520***	Encumbrances
530*	Expenditures
540***	Appropriated Fund Balance
560*	Revenue Contra (960)

**LIABILITIES**

601* ▲	Accounts Payable
602* ▲	Contracts Payable—Current
640*	Due to Other Funds
650*	Deposits

**DEFERRED REVENUES**

750* ▲	Deferred Revenue
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**FUND BALANCE**

810*	Reserved for Other Items
820	Reserved for Encumbrances
840	Reserved for Inventory
850	Reserved for Uninsured Risks
870	Unreserved, Undesignated for Other Items
890*	Unreserved, Undesignated Fund Balance
898	Unreserved, Undesignated for Prior Year Corrections

**BUDGETARY AND REVENUE ACCOUNTS**

900***	Appropriations
930	Expenditure Contra (530)
960*	Revenues

\* **Indicates a control account.**

\*\*\* **These accounts are optional and are not reported to the state. Districts may use other General Ledger accounts if desired.**

▲ **Indicates account not used in cash basis accounting.**

## **ASB FUND DESCRIPTION OF GENERAL LEDGER ACCOUNTS**

### **Assets**

#### **200\* Imprest Cash**

This account is used to segregate and control imprest cash (including petty cash) as established by the board of directors. Include imprest cash bank checking accounts.

- Debit with the amount of imprest cash established. Contra entry: credit Account 240 Cash on Deposit with County Treasurer.
- Credit with the reduction or return of each fund previously established.
- Imprest cash disbursements will be reimbursed by audited claims charged to the appropriate expenditure accounts and paid from Account 240 Cash on Deposit with County Treasurer. The reimbursement warrant will be drawn to the order of the custodian of the imprest cash.

#### **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, except imprest cash accounts. See Account 200 Imprest Cash.

- Debit with fund cash receipts.
- Credit with deposits or remittances to the county treasurer. Contra entry: debit Account 240 Cash on Deposit with County Treasurer.

#### **240 Cash on Deposit with County Treasurer**

This account is used to record all cash other than cash required to be recorded in Account 200 Imprest Cash and Account 230 Cash on Hand.

- Debit with cash received directly by the county treasurer.
- Debit with fund cash receipts remitted to the county treasurer.
- Credit with warrants redeemed by the county treasurer. Contra entry: debit Account 241 Warrants Outstanding.

#### **241 Warrants Outstanding**

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

- Credit with the fund warrants issued.
- Debit with the amounts of warrants redeemed by the county treasurer.
- Debit with the amounts of warrants cancelled. Contra entry: credit account previously charged in the subsidiary expenditure ledger. In the associated student body also credit account originally charged.

**320\* Due from Other Funds**

This account is used to record amounts due from other funds for services between funds.

- Debit with value of services to be reimbursed by another fund.
- Credit with payments from the funds that received services.

**330\*▲ Due from Other Governmental Units**

This account is used to record the amount due from the federal, state, and local governmental units. Entries may be made to this account as transactions occur or recorded only at year-end. Subsidiary records shall be maintained for claims submitted to governmental units.

- Debit with the amount of claims submitted to other governmental units. Contra entry: credit Account 750 Deferred Revenue or credit Account 960 Revenues.
- Debit or credit for authorized adjustments.
- Credit with the amount received in payment of claims. Contra entry: debit Account 750 Deferred Revenue or Account 960 Revenues.

**340\*▲ Accounts Receivable**

This account is used to record accounts owed to the school district by private persons, firms, or others for which other receivable accounts have not been established. Entries may be made to this account as transactions occur or they may be recorded at year-end.

- Debit with amounts due. Contra entry: credit Account 960 Revenues for amounts that represent available reimbursements for expenditures already incurred, otherwise credit Account 750 Deferred Revenue.
- Credit with amounts received.

**360\*▲ Accrued Interest Receivable**

Accrual basis districts use this account 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.

- Debit with amounts due from investments.
- Credit with amounts received.

**410\* Inventory—Supplies and Materials**

In the Associated Student Body Fund inventories purchased for resale are recorded in this account. Inventory consists of supplies and equipment on hand, not yet distributed to users.

- Debit with the disbursements for purchases of inventory.
- Credit with the expenditure for items taken from stock.
- Debit with the expenditure for items returned to inventory.

- Debit or credit as necessary to account for overages or shortages when a physical count of inventory is taken. The balance represents the value of supplies and materials in inventory.

#### **430\*▲ Prepaid Items**

This account is used to record goods or services purchased which will not be consumed or used entirely in the current fiscal year. Goods or services purchased for current use are shown as expenditures.

- Debit with the total amount of goods or services acquired for consumption or use, in whole or in part, in a subsequent fiscal year.
- Credit periodically or at the beginning of the fiscal year with the items placed in service or to be consumed within the current year.

#### **450\* Investments**

Temporary investments of moneys not needed for current use, as permitted by statute, are to be recorded in this account.

- Debit with the amount of investments purchased.
- Credit with the amount realized upon sale of investments. The excess over the purchase amount is credited to Account 960 Revenues. The excess of the purchase amount over the amount received is debited to Account 530 Expenditures.

### **Budgetary and Expenditure Accounts**

#### **510\*\*\* Estimated Revenues (Optional Account)**

This account is one of several optional budgetary accounts, which is used to record and summarize all budgetary actions of the board of directors. It will not be used to record actual revenues.

- Debit with the total amount of estimated revenues in the adopted budget.
- Debit with the amount of any unanticipated revenues appropriated to meet additional appropriations or increase existing appropriations.
- Credit with the amount of reduction in estimated revenues when the board of directors determines that actual revenue will not equal estimated revenues. A corresponding reduction shall be made in appropriations or an increase of appropriated fund balance.
- Credit to close account at end of year. Contra entry: debit Account 900 Appropriations (optional account) (for expenditures).
- Details of the amounts comprising estimated revenues are incorporated in the subsidiary revenue 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.

- Debit as an opening entry the amount of encumbrances for the previous fiscal year outstanding at August 31. Contra entry: credit Account 820 Reserved for Encumbrances.
- Debit with the amount of encumbrances placed. Contra entry: credit Account 820 Reserved for Encumbrances.
- Credit with the amount of encumbrances liquidated upon establishing payables or cancellation of unneeded encumbrances. Contra entry: debit Account 820 Reserved for Encumbrances.
- Credit at August 31, following close of fiscal year, to close balance. Contra entry: debit Account 820 Reserved for Encumbrances.
- The balance of this account prior to the fiscal year's closing will represent the total outstanding encumbrances.

**530\* Expenditures**

This account is used to record expenditures. Expenditures should be recorded as accrual basis districts incur liabilities. On the other hand, cash basis districts generally record expenditures when paid. Deferred compensation liabilities must be accrued by cash basis districts. Details of the expenditure account will be maintained in the expenditure ledger.

- Debit with the amount of claims that are due and payable (accrual basis) or with the amount of payments made on claims (cash basis). Contra entry for accrual basis districts is a credit to a 600-liability account.
- Credit with the amounts of voided and cancelled warrants for expenditures initially charged to this account.
- Credit with refunds of expenditures.
- Credit with closing entry to Account 890 Unreserved, Undesignated Fund Balance.

**540\*\*\* Appropriated Fund Balance (Optional Account)**

This optional account is used to record a budget surplus or deficit.

- Debit with the amount of the excess of Account 900 over Account 510 in the adopted budget (optional accounts).
- Credit with amount of the excess of Account 510 over Account 900 in the adopted budget (optional accounts).
- Debit with the amount appropriated to meet additional appropriations or increase existing appropriations.
- Credit to reduce the balance appropriated when the board of directors has determined that the amount appropriated exceeds the actual amount available. Contra entry: debit Account 900 Appropriations.
- Debit or credit with the closing entry to Account 900 Appropriations (optional accounts) to close this account.

### **560\* Revenue Contra (960)**

This account is used as an offset to all entries made to Account 960 Revenues. Subsidiary detail is not necessary for this account. All revenues are recorded in the fund balance account on a current basis, thus requiring this account to balance the entry to revenue.

- Debit with all credit entries to Account 960 Revenues.
- Credit with all debit entries to Account 960 Revenues. Credit to close at year-end.  
Contra entry: debit Account 960 Revenues.

## **Liabilities**

### **601\* ▲ Accounts Payable**

This account is used to record unpaid liabilities for goods received, scholarships awarded, or services performed and not provided for in Accounts 602, 640, or 650. This account may be used throughout the year in connection with a voucher register but the unpaid amounts on August 31, following the close of the fiscal year, must be recorded in this account and Account 530 Expenditures.

- Credit with the amount of audited vouchers and year-end accruals. Contra entry: debit Accounts 530 Expenditures or 410 Inventory—Supplies and Materials.
- Debit with the amounts of liabilities paid and credit memos received.
- The balance of this account represents the liability for unpaid vouchers.

### **602\* ▲ Contracts Payable—Current**

This account is used to record new contractual liabilities to be fully paid from current year appropriations.

- Credit with the amount of new contracts to be paid entirely from current year appropriations. Contra entry: debit Account 530 Expenditures.
- Debit with the amounts paid.
- The balance of this account represents the amount to be paid entirely out of current year appropriations.

### **640\* Due to Other Funds**

This account is used to record the fund's liability for services performed by other funds of the school district.

- Credit with the dollar amount of services performed by another fund.
- Debit with the amount paid for services performed by another fund.
- A subsidiary account shall be maintained for each fund.

## **650\* Deposits**

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

- Credit with the amounts collected and recorded to Accounts 230 and 240 because they do not represent revenues and are subject to refund.
- Debit with the amounts later determined to be revenue or amounts refunded.

## **Deferred Revenues**

### **750\* ▲ Deferred Revenue**

Record in this account amounts that do not represent revenues because they are not available for expenditure in the current fiscal year, but which will be recognized as revenue when they become available for expenditure. This account will be used to offset those receivables recorded in Accounts 330 and/or 340 that do not represent revenues. Also offset in this account amounts received in cash during a fiscal year, which will be recognized as revenue in the succeeding fiscal year when they become available for expenditure.

- Credit with the amounts charged to Accounts 230, 240, 330, or 340 that do not represent revenues because they are not available for expenditure in the current fiscal year.
- Debit with the amounts that become revenues. Contra entry: credit Account 960 Revenues.

## **Fund Balance**

General ledger fund balance accounts for governmental funds are divided into two general categories that are:

### **“Reserve” and “Reserved” Accounts**

Reserve and reserved fund balance accounts consist of portions of fund balance that are either legally restricted to a specific future use or are not available for appropriation or expenditure.

Legally restricted portions of fund balance include accounts such as “fund balance—reserved for encumbrances” or “fund balance—reserved for debt service.”

### **“Unreserved” Accounts**

Unreserved fund balance accounts are subdivided into “designated” and “undesignated” accounts.

➤ **“Unreserved, designated”**

Accounts are used to set aside financial resources for specific purposes. These accounts reflect tentative management plans for future financial resource use such as the replacement of equipment or the assignment of resources for contingencies.

➤ **“Unreserved, undesignated”**

Accounts may be used as expendable available financial resources. These “unreserved, undesignated” fund balance accounts represent a portion of fund balance that can be used for working capital requirements, transfers, and prior year corrections.

### **810\* Reserved for Other Items**

This account is provided as a means for accumulating and restricting fund balance for future uses. The board of directors locally authorizes the amounts in this account.

- Credit with the amounts to be reserved. Contra entry: debit Account 890 Unreserved, Undesignated Fund Balance.
- Debit with the amount removed from the reserve either by board action or because the purpose for the reserve has been fulfilled.

### **820 Reserved for Encumbrances**

This is the budgetary contra account to Account 520 Encumbrances and reflects the district’s obligation for encumbrances placed. It allows the interim presentation of the budgetary amounts without affecting liabilities or fund balance.

- Credit at the beginning of the fiscal year with the amount of encumbrances outstanding at the close of the previous fiscal year. Contra entry: debit Account 520 Encumbrances.
- Credit with the amount of encumbrances placed. Contra entry: debit Account 520 Encumbrances.
- Debit with the amount of encumbrances liquidated upon accrual or payment of vouchers or cancellation of encumbrances. Contra entry: credit Account 520 Encumbrances.
- Debit to close at end of year.

### **840 Reserved for Inventory**

This account is used to reserve a portion of fund balance for investment in inventory. Its purpose is to restrict fund balance for the replacement of normal inventory levels that are projected for the next fiscal period. It can only be established or changed by annual budget, budget extension, or board resolution. When general ledger inventory Account 410 Inventory—Supplies and Materials is maintained, an amount equal the value of the projected normal levels must be established in this account.

- Credit with the amount provided to establish, or increase, a reserve for inventory purposes. Contra entry: debit Account 890 Unreserved, Undesignated Fund Balance.

- Debit with the amount to decrease a reserve for inventory. Contra entry: credit Account 890 Unreserved, Undesignated Fund Balance.

### **850 Reserved for Uninsured Risks**

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.

- Credit with the amounts as determined by the district board of directors.
- Debit with the amounts removed from the reserve by board action because the reserve is no longer needed.

### **870 Unreserved, Designated for Other Items**

This account is provided as a means for accumulating and restricting fund balance for future uses. The board of directors locally authorize the amounts in this account.

- Credit with the amounts to be reserved. Contra entry: debit Account 890 Unreserved, Undesignated Fund Balance.
- Debit with the amounts removed from the reserve either by board action or because the purpose for the reserve has been fulfilled.

### **890\* Unreserved, Undesignated 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 fund operations is summarized in this account.

In the ASB fund, subsidiary accounts represent the equity of each school's ASB within the district and the subcategory activities within each of these school's ASB.

- Credit at the close of the fiscal year with the balance of Account 960 Revenues.
- Debit or credit with a corresponding increase or decrease in Accounts 810, 830, 840, 850, and/or 870 as appropriate to the fund.
- Debit as a closing entry the balance of Account 530 Expenditures.

### **898 Prior Year Corrections or Restatements**

This account is used to record the amount of prior year corrections or restatements.

The total of these corrections is closed to Account 890 Unreserved, Undesignated Fund Balance at the end of the fiscal year.

## **Budgetary and Revenue Accounts**

### **900\*\*\* Appropriations (Optional Account)**

This account is one of several optional budgetary accounts that are used to summarize all the budgetary actions of the board of directors. This account is used to record the total planned appropriated expenditures.

- Credit with the aggregate of all appropriations in the adopted budget.
- Credit with the amounts of supplemental appropriations. Contra entry: debit Accounts 510 Estimated Revenues and/or 540 Appropriated Fund Balance (optional accounts).
- Debit with the amounts of reductions of appropriations when the board of directors determines that actual revenue will not equal estimated revenue.
- Debit with the closing entry. Contra entry: credit Accounts 510 Estimated Revenues and/or 540 Appropriated Fund Balance (optional accounts).
- The credit balance of this account before closing will represent the original and/or supplemental budgetary appropriations. The subsidiary accounts will be incorporated with the appropriation expenditure ledger.

### **930 Expenditure Contra (530)**

This account is used as an offset to all entries made to Account 530 Expenditures. Subsidiary detail is not necessary for this account. All expenditures are recorded in the fund balance account on a current basis, thus requiring this account to balance the entry to expenditure.

- Credit with all debit entries to Account 530 Expenditures.
- Debit with all credit entries to Account 530 Expenditures.
- Debit to close at year-end. Contra entry: credit Account 530 Expenditures.

### **960\* Revenues**

This account is used to record actual revenues. Cash basis districts report revenues when received. For accrual districts, revenues include both receipts and accruals. Revenue accruals should be recorded when measurable and available. This account is not used for refund of expenditures.

- Credit with the amounts as they become measurable and available. Contra entry: debit Account 330 Due from Other Governmental Units or debit Account 340 Accounts Receivable.
- Debit with the closing entry to Account 890 Unreserved, Undesignated Fund Balance.
- Credit with the revenues.
- Debit with the balance of this account at the close of the fiscal year. Contra entry: credit Account 560 Revenue Contra (960).

## **ASSOCIATED STUDENT BODY FUND (ASB) JOURNAL ENTRIES**

### **Opening Entry**

#1

General  
Ledger

<u>Account</u>	<u>Account Title and Description</u>	<u>Debits</u>	<u>Credits</u>
240	Cash on Deposit with County Treasurer	85	
410	Inventory—Supplies and Materials	1	
430	Prepaid Items	1	
450	Investments	18	
601	Accounts Payable		1
890	Unreserved, Undesignated Fund Balance		104

To record the ASB Fund opening entry as of September 1, 20XX. This represents the beginning trial balance.

### **Budget Entry**

#2

General  
Ledger

<u>Account</u>	<u>Account Title and Description</u>	<u>Debits</u>	<u>Credits</u>
510***	Estimated Revenues	338	
540***	Appropriated Fund Balance		38
900***	Appropriations		300

To record the annual budget of the ASB Fund as adopted by the board of directors for the fiscal year 20XX.

### **Cash Imprest**

#3

General  
Ledger

<u>Account</u>	<u>Account Title and Description</u>	<u>Debits</u>	<u>Credits</u>
200	Imprest Cash	10	
241	Warrants Outstanding		10

To record the establishment of an imprest account or to increase an existing imprest account. If a treasurer's check is used, credit Account 240 Cash on Deposit with County Treasurer.

**#4**

General  
Ledger

<u>Account</u>	<u>Account Title and Description</u>	<u>Debits</u>	<u>Credits</u>
530	Expenditures	8	
241	Warrants Outstanding		8
890	Unreserved, Undesignated Fund Balance	8	
930	Expenditure Contra (530)		8

To record the replenishment of an imprest account by warrants.

**#5**

General  
Ledger

<u>Account</u>	<u>Account Title and Description</u>	<u>Debits</u>	<u>Credits</u>
240	Cash on Deposit with County Treasurer	10	
200	Imprest Cash		10

To record the return of an imprest account when the account is reduced, abolished, or returned to the district at year-end.

**Inventory—Supplies and Materials—Periodic Method**

**#6**

General  
Ledger

<u>Account</u>	<u>Account Title and Description</u>	<u>Debits</u>	<u>Credits</u>
530	Expenditures	2	
410	Inventory—Supplies and Materials		2
890	Unreserved, Undesignated Fund Balance	2	
930	Expenditure Contra (530)		2

To record an inventory adjustment at the time of a periodic inventory.

**Investments**

**#7**

General  
Ledger

<u>Account</u>	<u>Account Title and Description</u>	<u>Debits</u>	<u>Credits</u>
450	Investments	100	
240	Cash on Deposit with County Treasurer		100

To record the purchase of investments.

**#8**

General  
Ledger

<u>Account</u>	<u>Account Title and Description</u>	<u>Debits</u>	<u>Credits</u>
240	Cash on Deposit with County Treasurer	110	
450	Investments		100
960	Revenues		10
560	Revenue Contra (960)	10	
890	Unreserved, Undesignated Fund Balance		10

To record the sale of investments and the related investment revenue.

**Expenditures**

**#9**

General  
Ledger

<u>Account</u>	<u>Account Title and Description</u>	<u>Debits</u>	<u>Credits</u>
530	Expenditures	129	
241	Warrants Outstanding		129
890	Unreserved, Undesignated Fund Balance	129	
930	Expenditure Contra (530)		129

To record expenditures.

**#10**

General  
Ledger

<u>Account</u>	<u>Account Title and Description</u>	<u>Debits</u>	<u>Credits</u>
241	Warrants Outstanding	168	
240	Cash on Deposit with County Treasurer		168

To record the redemption of warrants as shown by the county treasurer's report.

**Accounts Payable**

**#11**

General  
Ledger

<u>Account</u>	<u>Account Title and Description</u>	<u>Debits</u>	<u>Credits</u>
601	Accounts Payable	2	
241	Warrants Outstanding		2

To record the payment of vouchers previously approved.

**#12**

General  
Ledger

<u>Account</u>	<u>Account Title and Description</u>	<u>Debits</u>	<u>Credits</u>
530	Expenditures	2	
601	Accounts Payable		2
890	Unreserved, Undesignated Fund Balance	2	
930	Expenditure Contra (530)		2

To record an accrual at the end of the fiscal year.

**Contracts Payable**

**#13**

General  
Ledger

<u>Account</u>	<u>Account Title and Description</u>	<u>Debits</u>	<u>Credits</u>
530	Expenditures	5	
602	Contracts Payable—Current		5
890	Unreserved, Undesignated Fund Balance	5	
930	Expenditure Contra (530)		5

To record an expenditure through a contract payable.

**Encumbrances**

**#14**

General  
Ledger

<u>Account</u>	<u>Account Title and Description</u>	<u>Debits</u>	<u>Credits</u>
520	Encumbrances	3	
820	Reserved for Encumbrances		3

To record the issuance of purchase orders.

**#15**

General  
Ledger

<u>Account</u>	<u>Account Title and Description</u>	<u>Debits</u>	<u>Credits</u>
820	Reserved for Encumbrances	3	
520	Encumbrances		3

To record the liquidation of encumbrances by the payment of vouchers or the cancellation of unneeded encumbered purchase orders.

**Revenues**

**#16**

General  
Ledger

<u>Account</u>	<u>Account Title and Description</u>	<u>Debits</u>	<u>Credits</u>
240	Cash on Deposit with County Treasurer	13	
960	Revenues		13
560	Revenue Contra (960)	13	
890	Unreserved, Undesignated Fund Balance		13

To record revenues deposited with the county treasurer.

**#17**

General  
Ledger

<u>Account</u>	<u>Account Title and Description</u>	<u>Debits</u>	<u>Credits</u>
230	Cash on Hand	9	
960	Revenues		9
560	Revenue Contra (960)	9	
890	Unreserved, Undesignated Fund Balance		9

To record the receipt of revenues collected by the district for remittance to the county treasurer via the depository account.

**#18**

General  
Ledger

<u>Account</u>	<u>Account Title and Description</u>	<u>Debits</u>	<u>Credits</u>
240	Cash on Deposit with County Treasurer	9	
230	Cash on Hand		9

To record the deposit of cash with the county treasurer.

**Interfund Receivables, Payables, and Transfers**

**#19**

General  
Ledger

<u>Account</u>	<u>Account Title and Description</u>	<u>Debits</u>	<u>Credits</u>
530	Expenditures	19	
640	Due to Other Funds		19
890	Unreserved, Undesignated Fund Balance	19	
930	Expenditure Contra (530)		19

To record a liability to the General Fund for ASB expenditures incurred by the General Fund. See Journal Entry #33 in the General Fund.

**#20**

General  
Ledger

<u>Account</u>	<u>Account Title and Description</u>	<u>Debits</u>	<u>Credits</u>
640	Due to Other Funds	19	
241	Warrants Outstanding		19

To record the payment to the General Fund for the amount due. See Journal Entry #33 in the General Fund.

**Capital Assets—Purchase**

**#21**

General  
Ledger

<u>Account</u>	<u>Account Title and Description</u>	<u>Debits</u>	<u>Credits</u>
530	Expenditures	10	
241	Warrants Outstanding		10
890	Unreserved, Undesignated Fund Balance	10	
930	Expenditure Contra (530)		10

To record a purchase of equipment that is a capital asset.

\* The donation of equipment items to the ASB Fund does not require an entry in the ASB Fund.

**Closing Entries**

**#22**

General  
Ledger

<u>Account</u>	<u>Account Title and Description</u>	<u>Debits</u>	<u>Credits</u>
540	Appropriated Fund Balance	38	
900	Appropriations	300	
510	Estimated Revenues		338

To record the closing of the budgetary accounts. Since these accounts must always be in balance during the year, the closing entries simply eliminate the existing balances.

**#23**

General  
Ledger

<u>Account</u>	<u>Account Title and Description</u>	<u>Debits</u>	<u>Credits</u>
930	Expenditure Contra (530)	280	
530	Expenditures		280

To record the closing of expenditures at the end of the fiscal year.

**#24**

General Ledger

<u>Account</u>	<u>Account Title and Description</u>	<u>Debits</u>	<u>Credits</u>
960	Revenues	338	
560	Revenue Contra (960)		338

To record the closing of revenues at the end of the fiscal year.

**#25**

General Ledger

<u>Account</u>	<u>Account Title and Description</u>	<u>Debits</u>	<u>Credits</u>
820	Reserved for Encumbrances	8	
520	Encumbrances		8

To close encumbrances to Account 820 Reserved for Encumbrances at the close of the fiscal year.

**NOTE:** If encumbrances are carried forward to the next fiscal year, reestablish the prior year encumbrances closed to Account 820 Reserved for Encumbrances by reversing that entry into the new fiscal year.

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## **DEBT SERVICE FUND**

**Debt Service Fund—to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.** (GASB Cod. Sec. 1100.103a[4]. See also Sec. 1300, “Fund Accounting.”)

School districts in the state of Washington have one Debt Service Fund. This fund has been established pursuant to RCW 28A.320.330 to account for the payment of principal, interest, and the expenditures related to the redemption of outstanding bonds and notes, as well as other noncurrent long-term liabilities. The county treasurer or fiscal agent makes payment of interest and principal.

Provision must be made annually for a levy sufficient to meet the payments of principal, interest, and related expenditures for voted debt. The levy should be sufficient to cover tax payment delinquencies. The state attorney general has ruled that it is improper to levy excessive taxes to retire bonds in advance of the redemption schedule. (AGO 57-58 No. 230.)

Nonvoted bonds are also serviced in the Debt Service Fund rather than in the fund that received the debt proceed. In order to provide the resources to retire the debt, an operating transfer must be used by either the General Fund, Capital Projects Fund, or Transportation Vehicle Fund to transfer resources to the Debt Service Fund.

The modified accrual basis of accounting is to be used in measuring financial position and operating results, except for unmatured principal and interest on general long-term debt which are not recorded as liabilities until they are due and payable. Except for unmatured principal and interest, expenditures are recorded whether disbursements have been made or not. When disbursements are made, the corresponding entries are reductions to the matured debt payable accounts. Since liability accounts have been established for the bond principal, bond interest, and transfer fees, subsidiary expenditure accounts as such are not necessary.

When bonds mature or interest payments become due, the matured debt is recorded in the expenditure accounts and in the matured debt accounts (General Ledger Account 675 Matured Bonds Payable and General Ledger Account 685 Matured Bond Interest Payable).

This section does not include information pertaining to the general ledger accounts (Chapter 4), revenue accounts (Chapter 5), expenditure accounts (Chapter 6), or journal entries (Chapter 7). See the chapters indicated for detailed information in these areas.

### **Transfer of State Forest Revenue from the Debt Service Fund to the Capital Projects Fund**

HB 2357 was signed by Governor Gregoire April 20, 2007, and is effective July 22, 2007. The bill adds language allowing districts to transfer state forest land revenue that is in the Debt Service Fund (DSF) to the Capital Projects Fund (CPF) to the extent the state forest revenue is not necessary for payment of debt service on school district bonds. Districts may transfer past, present, or future state forest land revenue that meets the above requirements. If a district is in doubt about these requirements, they should consult their bond counsel.

Transfers are authorized by the adoption of a resolution of the board of directors. The district's board-adopted budget, if it accurately reflects the desired transfer, may serve as the required resolution for such transfer.

Once the required authorization is in place, budget and actual interfund transfers are accomplished in the accounting records using other financing source account codes in the Capital Projects Fund and other financing use account codes in the Debt Service Fund.

## **Introduction to Accounting for Advance Bond Refunding**

Debt may be extinguished through refunding in addition to normal repayment. Refunding occurs when previously issued debt is retired at least in part by a new bond issue. Refunding is done to take advantage of lower interest rates and to modify debt service requirements. Often the proceeds from the sale of new bonds with a lower interest rate are used to pay off old bonds with a higher interest rate. Refunding is financially worthwhile when there is a significant savings on a present value basis as compared to the refunded bonds.

There are current refundings and advance refundings. District bond counsel will generally refer to the federal tax law for guidance on refundings. Under an advance refunding structure, the proceeds of the refunding issue are invested in an escrow account held by a trustee until the old bonds can be redeemed. In structuring an advance refunding, an issuer calculates an issue size which, together with interest earnings in the escrow account, will be sufficient, after payment of issuance costs, to pay principal and interest requirements, as well as any call premium, on the refunded bonds.

Chapter 39.53 RCW known as the Refunding Bond Act authorizes refunding of bonds. Three provisions of chapter 39.53 RCW are:

- RCW 39.53.020 authorizes refunding without an election.
- RCW 39.53.050 authorizes refunding bonds to be issued in a principal amount in excess of, less than, or the same as the principal amount of the bonds to be refunded.
- RCW 39.53.090 states that the principal amount of annual maturities may be increased to the nearest \$5,000 for the purpose of rounding out maturities.
- RCW 39.53.100 states that the amounts of money and investments on deposit for bond retirement shall be deducted from the computation of the amount of outstanding indebtedness for the purpose of any constitutional or statutory debt limitation.

A school district's bonds cannot be redeemed until they can be called or until they have matured and are payable. There are two ways to structure the advance refunding of bonds. One is the regular method and the second is the crossover method. Both methods of refunding result in either a legal or an in-substance defeasance. For financial reporting purposes, a defeasance is the removal of debt and related assets from the balance sheet prior to the actual redemption of the debt.

A legal defeasance is rare in the government environment and generally occurs only when an amount sufficient to pay both principal and interest **at the time of deposit** is placed in an irrevocable trust with an independent escrow agent. An in-substance defeasance is achieved when cash or assets that qualifies as "essentially risk free as to amount, timing and collection of principal and interest" are deposited in an irrevocable trust. These assets for an in-

substance defeasance should provide cash flows that are sufficient and timed to match the scheduled interest and principal payments on the debt that is being extinguished. Generally, in-substance defeasances are accomplished through the purchase of state and local government series (SLGS) securities. SLGS securities can provide adequate cash flows that coincide with the refunded obligation's debt service schedule without exceeding the Internal Revenue Code arbitrage limits established by the 1986 Tax Reform Act.

If refunding bonds are issued in a principal amount in excess of the principal amount of the bonds to be refunded, as authorized in RCW 39.53.050, the amount of the excess is to be considered nonvoted debt in debt limit calculations. Because of this stipulation, school districts should calculate both their nonvoted and voted debt limits whenever there is a bond refunding. The bond counsel typically does this.

The remainder of this section explains the accounting and financial reporting of the regular and crossover methods of refunding.

## **Questions and Answers on the Regular Method of Advance Bond Refunding**

### **How is the regular method of advance bond refunding structured?**

The proceeds from the sale of refunding (new) bonds are placed in the custody of the trust department of a bank through the county treasurer. The bank establishes an escrow account and invests the proceeds so that the cash realized from the maturing investments, together with interest earned, will meet the debt service requirements of the refunded (old) bonds, and to redeem the balance of the old bonds when they become callable or mature. The bank reports the financial activity in the escrow account to the county treasurer. Each school district will need to work with its county treasurer to determine whether the school district or the county treasurer will verify the accuracy of the amounts reported and that the transactions were done in accordance with the escrow instructions. The county treasurer shows the refunding financial activity on the County Treasurer's Monthly Report (F-197). The school district is legally responsible for the verification of the amounts reported on the F-197.

### **How are the refunded (old) bonds accounted for?**

The old bonds are removed from the long-term debt liability of the school district. The bonds are placed in the custody of the trust department of a bank through the county treasurer. The bank establishes an escrow account to meet the debt service requirements of these bonds.

### **How are the refunding (new) bonds accounted for?**

The new bonds are entered as a long-term debt liability of the school district debt and the debt service on the new bonds is recorded in the school district's Debt Service Fund.

### **What are the tax levy requirements?**

Taxes are no longer levied for the debt service requirements of the refunded (old) bond issue. Instead, taxes are levied for the debt service requirements of the refunding (new) bond issue together with any other bonds that have not been refunded.

### **What are the budgeting and financial reporting requirements?**

The debt service requirements of the refunding (new) bonds are budgeted and reported in the school district's Debt Service Fund. The unmatured new bonds are reported as a long-term debt liability of the school district. The school district does not budget or report any debt service on the refunded bonds or the amount of the refunded bonds outstanding. The amount of the refunded debt outstanding should be disclosed in a note to the school district's financial statements because the debt is a contingent liability of the school district.

A general description of the transaction should be included in the notes to the financial statements in the year of the refunding. At a minimum, the disclosures should include (1) the difference between the cash flows required to service the old debt and the cash flows required to service the new debt to complete the refunding and (2) the economic gain or loss resulting from the transaction.

## **Questions and Answers on the Crossover Method of Advance Bond Refunding**

### **How is the crossover method of advance refunding structured?**

The proceeds of the refunding (new) bonds are placed in the custody of the trust department of a bank through the county treasurer. The bank establishes an escrow account where the proceeds are converted to investments and the investment earnings are used to pay the interest on the new bonds until the refunded (old) bonds are callable or mature. When the call date or maturity date arrives, the old bonds are redeemed with the resources in the escrow account. After the old bonds are redeemed, the source of revenue applicable to the old bonds is used to service the new bonds. The bank reports the financial activity in the escrow account to the county treasurer who verifies the accuracy of the amounts reported and that the transactions were done in accordance with the escrow instructions. The county treasurer shows the refunding financial activity on the County Treasurer's Monthly Report (F-197). The school district is legally responsible for verifying the amounts reported on the F-197.

### **How are the refunded (old) bonds accounted for?**

Until the crossover date, which is generally when the old debt matures or can be called, the debt service on the refunded bonds continues to be recorded in the school district's Debt Service Fund and the unmatured amount of the refunded bonds is recorded in the district's long-term debt. When the crossover date arrives, the refunded bonds are removed from the school district's long-term debt and are placed in custody of the trust department of a bank through the county treasurer. The refunded bonds are then redeemed with the proceeds from the sale of the new bonds that were placed in the escrow account when the new bonds were sold.

### **How are the refunding (new) bonds accounted for?**

The new bonds are entered into the school district's long-term debt at the time they are sold. Until the crossover date, which is when the refunded (old) debt matures or can be called, the debt service on the new bonds is recorded in a bank escrow account. The bank reports the debt service on the new bonds and the amount of the new bonds outstanding to the county treasurer. After the crossover date and the refunded bonds

have been redeemed, the new bonds continue to be recorded in the school district's long-term debt and the debt service on the new bonds is then recorded in the school district's Debt Service Fund.

**What are the tax levy requirements?**

Until the crossover date, taxes are levied for the debt service requirements of the bond issue to be refunded. After the crossover date, taxes are levied for the debt service requirements of the refunding (new) bond issue, together with any other bonds that have not been refunded.

**What are the budgeting and financial reporting requirements?**

Until the crossover date, the debt service requirements of the bonds to be refunded are budgeted and reported in the school district's Debt Service Fund and both the refunded and new debt are to be reported in the school district's financial statements as part of the long-term debt. Until the crossover date, the new debt is **not** to be included in the computation of indebtedness for the purpose of any constitutional or statutory debt limit, even though it is reported as long-term debt. After the crossover date, the new bonds are budgeted and reported in the school district's Debt Service Fund and the new bonds continue to be reported in the school district's financial statements as part of the long-term debt. After the crossover date, any debt service requirements on the refunded bonds are neither budgeted nor reported by the school district and the old bonds are no longer reported in the school district's long-term debt. Generally, at the crossover date the refunded bonds are redeemed with the resources in the bank's escrow account. However, any amount of the old debt still outstanding should be disclosed in a note to the school district's financial statements because the debt is a contingent liability of the school district.

A general description of the transaction should be included in the notes to the financial statements in the year of the refunding. At a minimum, the disclosures should include: (1) the difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete the refunding; and (2) the economic gain or loss resulting from the transaction.

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## **CAPITAL PROJECTS FUND**

**Capital Projects Funds—to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).** (GASB Cod. Sec. 1100.103a[3]. See also Sec. 1300, “Fund Accounting.”)

Within the state of Washington, two funds are considered to be capital project funds: the Capital Projects Fund and the Transportation Vehicle Fund. (See Section 9 TVF concerning the Transportation Vehicle Fund.) The Capital Projects Fund is created by RCW 28A.320.330.

The Capital Projects Fund can be used for the acquisition of land or existing facilities, construction of buildings, purchase of equipment, conducting energy audits, making capital improvements, which are cost effective as determined by energy audits, and implementing technology systems. In addition, improvements to buildings and/or grounds, remodeling of buildings, and the replacement of roofs, carpets, and service systems are included in the Capital Projects Fund.

The Capital Projects Fund is generally financed from the proceeds of the sale of bonds, state matching revenues, and special levies. In all instances where moneys are raised by voter-approved bond issues, the proposition must include a description of the projects for which the money is being raised. RCW 28A.530.010 authorizes school districts to issue bonds for certain capital projects. The acquisition of school buses is not a capital project. Therefore, the proceeds of bonds issued pursuant to RCW 28A.530.010 cannot be used to acquire school buses.

The Capital Projects Fund is also used to record the proceeds from the sale of, and the net proceeds from the lease of, surplus real property and to record investment earnings of the Capital Projects Fund.

The modified accrual basis of accounting is to be utilized in measuring financial position and operating results unless the district has less than 1,000 full-time equivalent students the previous fiscal year and has elected to utilize the cash basis for all funds except debt service. (See Chapter 1, Accrual Basis in Governmental Accounting, for additional information on the modified accrual basis of accounting.)

The focus of Capital Projects Fund accounting is on the sources and uses of available resources, and the accounting and reporting is on an annual period-oriented basis. The accounting records must contain sufficient information to permit special purpose reporting on a project-length basis.

Revenue recognition for the Capital Projects Fund is the same as for other governmental funds. Amounts are recorded as revenues or other financing sources when they are both measurable and available.

This section does not include information pertaining to the general ledger accounts (Chapter 4), revenue accounts (Chapter 5), expenditure accounts (Chapter 6), or journal entries (Chapter 7). See the chapters indicated for detailed information in these areas.

## **Capital Projects Fund Allowable Expenditures by Revenue Source**

### **Revenues**

### **Expenditures**

#### Sale of Bonds

Bond revenue is restricted to sites and buildings as authorized by law or necessary or proper to carry out the functions of a school district, improvement of energy efficiency and installation of energy systems and components, and structural changes and additions to buildings and sites. The purchase of initial equipment as defined in this section is also allowable. The resolution approving the election shall include the specific buildings to be constructed or remodeled and any additional specific purposes as authorized under RCW 28A.530.010. Expenditures are restricted to those authorized in the bond resolution. Any alteration of the expenditure plan requires a public hearing (RCW 28A.530.020).

#### Special Levies

Special levies are restricted to the following: the same purposes that bond proceeds may be used for, major renovations of building including the replacement of facilities and systems where periodic repairs are not longer economical. Also, the renovation and rehabilitation of playfields and athletic fields can be accomplished with Capital Projects Fund special levies. The purchase of initial equipment, additional major items of equipment and furniture, and the costs associated with implementing technology systems as defined in this section are allowable. The resolution approved by the voters authorizing the special levy must include the purpose for raising the moneys.

#### State Assistance (State Match)

State Match revenue may be spent on new construction for unhoused students or modernization or replacement of existing areas. Local funds must be provided, typically through bonds, and expended first. Any state match not used for the funded project may be expended on any legal expenditure in the Capital Projects Fund. However, any alteration to the use of state assistance requires a public hearing (RCW 28A.530.020).

#### Impact/Mitigation Fees

Developer Impact/Mitigation fees are restricted to growth projects specified in the Capital Facilities Plan. Impact fees, under the Growth Management Act, are also restricted to specific schools impacted by the development. Fees collected from voluntary impact fees are limited to the growth projects defined in the agreement.

#### Investment Earnings

Investment earnings from the proceeds of bonds, special levies, and mitigation/impact fees are restricted to the same purposes as proceeds from their source. Interest earnings from all other sources may be used for any legal purpose of the Capital Projects Fund. Further, investment earnings from unrestricted revenue sources can be redirected to the General Fund, with Board approval, for expenditures for instructional supplies, equipment, and capital outlay purposes.

Insurance Proceeds	Insurance proceeds that represent reimbursement for loss of a building and contents shall be deposited to the credit of the Capital Projects Fund. Insurance proceeds for business interruption insurance shall be credited to the General Fund. Expenditures for the replacement of the building and contents shall be expended from the Capital Projects Fund. Insurance proceeds may be used for any legal purpose in the Capital Projects Fund.
State Apportionment	State apportionment may be used for the same purposes as special levies and bond proceeds. The purchase of initial and additional equipment as defined in this section is also allowable.
Sale of Real Property	<p>Proceeds from the sale of real property may be used for any legal purpose of the Capital Projects Fund. The purchase of initial and additional equipment as defined in this section is also allowable.</p> <p>Pursuant to RCW 28A.335.130 the proceeds from any sale of school district real property by a board of directors shall be deposited to the Debt Service Fund and/or the Capital Projects Fund, except for amounts required to be expended for the costs associated with the sale of such property, which moneys may be deposited into the fund from which the expenditure was incurred.</p>
Lease or Rental of Surplus Property	<p>Revenues from the lease or rental of surplus property shall be deposited in the Capital Projects Fund and used for any legal purpose of the Capital Projects Fund. A portion of these revenues may be deposited into the General Fund to cover the costs of maintaining the surplus property.</p> <p>Pursuant to RCW 28A.335.060, at the option of the board of directors, after evaluating the sufficiency of the school district's Capital Projects Fund for purposes of meeting demands for new construction and improvements, moneys derived for the lease or rental of real property may be deposited into the district's General Fund to be used exclusively for nonrecurring costs related to operating school facilities including, but not limited to, expenses for maintenance.</p>
Categorical Funding	Categorical funding may be used for any legal purpose of the Capital Projects Fund and for the purposes allowed by the funding agency or grantor. The purchase of initial and additional equipment as defined in this section is also allowable.

## **Capital Outlay Expenditures**

Capital outlay expenditures are those which result in the acquisition of capital assets or additions to capital assets. They include capital expenditures for land or existing buildings, improvements to grounds, construction of buildings, additions to buildings, remodeling of buildings, and purchase or installment of initial or additional major items of equipment. Include expenditures for facilities to house students during the construction or remodeling of a school building. Legal fees for capital projects are chargeable to the Capital Projects Fund. Election costs may be charged to the Capital Projects Fund upon passage of the levy. Election costs for failed levies are charged to the General Fund but may be reimbursed by the Capital Projects Fund if the levy passes at a later time provided it is within the same fiscal period.

## **Salaries**

The salaries and other direct expenditures of school district employees who are hired or assigned to the planning or construction management of capital projects, which have been approved as provided above, are recorded under the Capital Projects Fund.

Capital projects' planning includes the development of facility specifications and construction design. It is defined as preparing specifications for building projects or preparing architectural blueprints or other design specifications by planning directors, architects, engineers, or draftsmen who spend significant time performing these duties. Salaries for capital project planning are not to be charged to the Capital Projects Fund for a specific project after the facility specifications or the construction design planning has been completed. Planning for the operation of existing facilities is not to be charged to the Capital Projects Fund.

Construction management, as it pertains to capital projects, is defined as directing, managing, or inspecting one or more capital projects. Salaries of staff project directors, inspectors, or monitors who spend significant time performing these services are designated as construction management salaries. Salaries for construction management shall not be charged to the Capital Projects Fund after the building is occupied and accepted by school district board action.

The salaries of individuals who spend time performing duties that directly support capital project planning or construction management are to be charged directly to the Capital Projects Fund. Salaries of individuals engaged in the operations of the school district are not to be charged to the Capital Projects Fund. However, costs for staff paid to move their classroom/office as a direct result of a remodel or construction may be charged to the Capital Projects Fund. Salaries of individuals who also perform duties chargeable to another fund should be allocated in proportion to their duties to both the Capital Projects Fund and the other fund. Capital Projects Fund salaries may be processed through the General Fund, which is then reimbursed by the Capital Projects Fund.

Real estate management salaries are not to be charged to the Capital Projects Fund.

When salaries are charged to the Capital Projects Fund, school districts may wish to maintain an object of expenditure to account for salaries and other expenditures.

## **Repairs**

Expenditures for repairs to building structures that do not add to existing facilities are recorded under the General Fund Activity 64 Maintenance. As a general guide concerning repairs to building structures, if changes of partitions, roof structure, or walls are not involved, the expenditures are recorded under the General Fund Activity 64 Maintenance; if such changes are involved, the expenditures are recorded under the Capital Projects Fund as remodeling.

## **Renovations**

The Capital Projects Fund records major renovations consisting of the replacement of roofing, floor covering, or service systems when periodic repairs are no longer economical. Replacement is the replacement of a unit of equipment or fixture with another unit or fixture that serves the same purpose in the same way and has approximately the same expected lifetime as the replaced unit when installed. Normal repairs should be charged to the General Fund Activity 64 Maintenance.

## **Initial Equipment**

Expenditures for initial equipment for a new or remodeled building or for a structure being converted from one use to another use are recorded in the Capital Projects Fund. Expenditures for initial equipment or the initial installation of built-in equipment in existing buildings are recorded under the Capital Projects Fund.

Initial expenditures for a new or remodeled building or a structure being converted from one use to another use for the purchase of library, text, and reference books or materials in any format, including electronic, are allowable as initial equipment. Items of a consumable nature (for example, workbooks) are not allowable expenditures of the Capital Projects Fund because they are not capital in nature.

Expenditures for repairs and for replacements not discussed above are recorded under the General Fund Activity 64 Maintenance as repairs to buildings, regardless of the relative value of the replaced item of equipment and its replacement. The purchase of additional equipment may be recorded in the General Fund.

## **Replacement**

Expenditures for the replacement of a building or for the replacement of facilities and systems are recorded under the Capital Projects Fund. Expenditures for the repair of capital assets are recorded under the General Fund Activity 64 Maintenance.

## **Acquisition or Relocation of Modular (Portable) Buildings**

Expenditures for the acquisition or relocation of modular (portable) buildings should be charged to the Capital Projects Fund.

## **Energy Capital Improvements**

Expenditures for the initial installation of energy capital improvements in buildings and during the remodeling of existing buildings are recorded under the Capital Projects Fund. Expenditures for repairs and replacements are recorded under the General Fund Activity 64 Maintenance as repairs to buildings. Energy-efficient systems as a part of the initial equipment of a new building should be charged to the Capital Projects Fund.

## **Ineligible Expenditures in the Capital Projects Fund**

### **Supplies, Instructional Resources, and Noncapitalized Items**

Except for office supplies consumed by employees whose time is properly charged to the fund, all other supplies are not eligible expenditures. Items of a consumable nature (e.g., workbooks) are not allowable expenditures of the Capital Projects Fund because they are not capital in nature.

### **Bonded Indebtedness**

Liabilities for bonded indebtedness are not recorded in the Capital Projects Fund, but instead are recorded on the Schedule of Long-Term Debt.

### **Bond Election**

Expenditures for preliminary studies to provide information for a bond election are considered an expenditure of the bond election and recorded under General Fund Activity 11 Board of Directors.

### **Vehicles**

Vehicles are not charged to the Capital Projects Fund. Pupil transportation vehicles are charged to the Transportation Vehicle Fund. All other vehicles are charged to the General Fund.

## **Technology Systems Expenditures and Transfers**

2SHB 1280 expands the authorized uses under RCW 28A.320.330 of school district capital projects funds for technology to include costs associated with the application and modernization of technology systems for operations and instruction. These costs include: ongoing fees for on-line applications, subscriptions, or software licenses; upgrades and incidental services; and ongoing training related to the installation and integration of the technology. However, the bill provides that a school district using capital projects funds for the expanded purposes must transfer the funds to the district's General Fund.

### **Text of RCW 28A.320.330(2)(f)**

Moneys in the Capital Projects Fund may be used for:

**[Prior language:]** “(f)(i) Costs associated with implementing technology systems, facilities, and projects, including acquiring hardware, licensing software, and online applications and training related to the installation of the foregoing. However, the software or applications must be an integral part of the district's technology systems, facilities, or projects.

**[New language:]** “(ii) Costs associated with the application and modernization of technology systems for operations and instruction including, but not limited to, the ongoing fees for online applications, subscriptions, or software licenses, including upgrades and incidental services, and ongoing training related to the installation and integration of these products and services. However, to the extent the funds are used for the purpose under this subsection (2)(f)(ii), the school district shall transfer to the district's general fund the portion of the Capital Projects Fund used for this purpose. The office of the superintendent of public instruction shall develop accounting guidelines for these transfers in accordance with internal revenue service regulations.”

### **Initial Questions in the Decision-Making Process**

#### **Question Number One:**

Are the costs associated with “implementing technology systems?” Or are the costs associated with “training related to the installation of the foregoing?” If yes, these costs may be paid directly out of the Capital Projects Fund under (f)(i) above.

#### **Question Number Two:**

Are the costs “associated with the application and modernization of technology systems for operations and instruction?” Or are the costs associated with “ongoing training related to the installation and integration of these products and services?” If yes, and if a school district wishes to utilize money in the Capital Projects Fund for these purposes, the district is required to transfer the dollars from the Capital Projects Fund to the General Fund under (f)(ii) above.

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## **TRANSPORTATION VEHICLE FUND**

**The Transportation Vehicle Fund is created pursuant to RCW 28A.160.130.** The Transportation Vehicle Fund is to be used to account for the expenditures for the purchase and related debt service incurred for pupil transportation equipment (school buses). In addition, major repair and rebuilding of pupil transportation equipment (school buses) as defined in WAC 392-142-260 is permitted. To charge major repairs to the Transportation Vehicle Fund, a district must receive prior approval from OSPI (Form 1023).

The source of revenue for this fund includes the state payments for pupil transportation equipment and transportation costs (RCW 28A.150.280) and special levies. RCW 28A.530.080 authorizes school districts, under certain circumstances, to issue bonds without a vote of the people. Proceeds of bonds issued pursuant to RCW 28A.530.080 may be deposited in the Transportation Vehicle Fund. One purpose of this fund is to acquire school buses. If the proceeds of bonds issued, without a vote of the people, pursuant to RCW 28A.530.080 are deposited in the Transportation Vehicle Fund, the proceeds may be used to acquire school buses. The General Fund may also transfer resources into the Transportation Vehicle Fund using General Ledger Account 965 Other Financing Resources.

The modified accrual basis of accounting is to be utilized in measuring financial position and operating results unless the district has less than 1,000 full-time equivalent students the previous fiscal year and has elected to utilize the cash basis for all funds except debt service. (See Chapter 1, Accrual Basis in Governmental Accounting, for additional information on the modified accrual basis of accounting.)

This section does not include information pertaining to the general ledger accounts (Chapter 4), revenue accounts (Chapter 5), expenditures accounts (Chapter 6), or journal entries (Chapter 7). See the chapters indicated for detailed information in these areas.

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## **FIDUCIARY FUNDS**

Fiduciary Fund reporting focuses on net assets and changes in net assets. Fiduciary funds should be used to report assets held in a trustee or agency capacity for others and cannot be used to support the government's own programs. The Fiduciary fund category includes Pension (and Other Employee benefit) Trust Funds, Investment Trust Funds, Private-Purpose Trust Funds and Agency Funds. The three types of trust funds should be used to report resources held and administered by the reporting government when it is acting in a fiduciary capacity for individuals, private organizations, or other governments. (GASB Statement 34, para 69.)

### **TRUST AND AGENCY FUNDS**

Trust and Agency Funds—to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include (1) Private-Purpose Trust Funds, (2) Pension Trust Funds, (3) Investment Trust Funds (not allowed for school districts in Washington State), and (4) Agency Funds. (GASB Cod. Sec. 1100.103c[1]. See also Sec. 1300, "Fund Accounting.")

**The Agency Fund** is used to account for activities in which the district is acting in an agent capacity for some other organization, government, individual, or fund. Agency Funds are purely custodial in nature (i.e., assets equal liabilities) and thus do not focus on the measurement of operations (i.e., there are no revenues, expenses, or fund balance). The modified accrual basis of accounting is used to measure financial position.

An Agency Fund differs from a trust fund in that there is no formal trust agreement. 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.

### **Trust Funds**

#### **Pension (and Other Employee Benefit) Trust Funds**

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

#### **Investment Trust Funds**

Not applicable to school districts in Washington State.

## **Private-Purpose Trust Funds**

These funds are used to report trust arrangements under which the income and/or principal benefits individuals, private organizations, or other governments. Examples are moneys or other assets donated to school 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 school board has the authority to determine the use of the assets only within the confines of the original trust agreement. For this reason, school 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 that 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. This is similar in concept to the Associated Student Body (ASB) Fund, which typically consists of several separate clubs or activities.

The Saul Haas fund is one example of a grant distributed to public and private secondary schools so that school personnel, using their discretion, can identify and immediately respond to individual student needs. The most appropriate accounting for Saul Haas funds is in the Private Purpose Trust Fund. However, if the amount is "immaterial" (less than 5% of the ASB Fund total revenue), it can be accounted for in the ASB Fund, as long as the private money is easily identifiable within the accounting records. If the amount becomes material, the district will separate the Saul Haas funds and report them in the Private Purpose Trust Fund on their Annual Financial Statements (F-196).

GASB 32 requires deferred compensation plans under Internal Revenue Code Section 457 be accounted for as pension (and other employee benefit) trust funds if the district has fiduciary accountability for the plan. If a third party trustee holds the assets for the plan, the plan is not reported on the district's financial statements. See Appendix B.

## **Trust Fund General Information**

### **Definitions**

- **Trust**  
A trust is a right of property, real or personal, held by one party for the benefit of another.
- **Trust fund**  
A trust fund is 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. It is established to carry out the terms of a trust instrument. See Chapter 1 for a general discussion of school district funds.
- **Trust instrument**  
A trust instrument is the formal document, which creates the trust and contains the powers of the trustees and the rights of the beneficiaries.

➤ **Central district office**

The central district office is comprised of the board of directors and/or their official designee to whom authority has been delegated to act on their behalf.

### **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 school district any gift, grant, conveyance, devise, or bequest of real or personal property under the authority of RCW 28A.320.030.

### **General Fund Revenue Account 2500—Gifts, Grants, and Donations**

A distinction should be made between trust funds as discussed in this chapter and Revenue Account 2500 Gifts, Grants, and Donations. Account 2500 should be used for gifts that are intended to be spent immediately, either for a specified purpose or at the district's discretion, and where, accordingly, no trust relationship exists between the donor and the district.

### **Foundations**

A distinction should also be made between the trust funds as described here and foundations. School districts are not authorized to set up foundations; however, districts are in many cases the beneficiaries of foundations. Districts should be careful not to become directly involved in the formation and administration of foundations. Donations from foundations may be recorded in General Fund Revenue Account 2500 Gifts, Grants, and Donations or may be set up in the trust funds, as appropriate.

### **Budgeting**

The district does not budget trust funds. This is because the authority to use trust fund resources comes from the donor who specifies a use or range of allowed uses for the assets held in trust and, accordingly, the school board has the authority to determine the use of the assets only within the confines of the original trust agreement.

## **Gains and Losses of Private-Purpose Trust Investment Principal and Earnings**

Some trust arrangements permit expenditure of both principal and income, others require the principal be kept intact and allow only income be used. A primary concern of trust accounting is the distinction between transactions that affect trust principal and transactions that relate to trust income.

Income and principal determination procedures may be uniquely defined by the trust agreement. However, unless the trust agreement specifies otherwise, gains and losses on sales of principal assets increase or decrease trust principal rather than affect trust income. For example, the difference between book value of an investment of trust principal and the proceeds from the sale of that investment is considered to belong to the trust principal (corpus) and does not give rise to operating income. Gains or losses on principal should be considered to be nonoperating income or loss and credited or charged to trust principal.

Trust income, once recognized, remains in the trust fund.

## **System of Accounting for Private-Purpose Trust Funds**

A school district that intends to accept moneys in trust under RCW 28A.320.030 is required to create in the district accounting records a formal trust fund to account for such moneys. Donors may, and often do, establish restrictions as conditions of the contribution. The district shall create a Private-Purpose Trust Fund to satisfy the requirements or conditions of the individual trust instrument. Each trust so created will be used to account for the individual trust instruments of each type that are entered into by the district.

For each conditional trust that the board agrees to accept, a trust instrument between the district and the donor shall be executed. The trust instrument shall be ratified by board resolution, and it shall stipulate the conditions under which the money may be expended.

In some instances, a donor may give a gift with only the general instruction that it be used for purposes at the discretion of the school board. These unconditional trusts may be accepted by board resolution and recorded in the Permanent Fund, which is a governmental type fund and not a fiduciary type fund.

Supporting documents must be kept for all disbursements made.

## **Deposit and Investment of Trust Fund Moneys**

All trust fund moneys upon receipt shall be transmitted intact to the district depository bank and then to the county treasurer for deposit to the credit of the appropriate trust fund of the school district and shall be accounted for, expended, and invested subject to the practices and procedures governing other moneys of the district.

## **Accounting Procedures**

Trust fund moneys shall be accounted for as follows:

- Accounting methods and procedures shall comply with such rules and regulations and/or guidelines as are developed by the state auditor and the Superintendent of Public Instruction and published in *The Accounting Manual for Public Schools in the State of Washington* and/or applicable bulletins of the Superintendent of Public Instruction.
- Whenever two or more trust agreements exist within a school district, the accounting records shall be maintained in such a manner as to provide a separate accounting for the transactions of each separate trust within the district's trust funds.
- The fiscal and accounting records of trust fund moneys shall constitute public records of the school district, shall be available for examination by the state auditor, and shall be preserved in accordance with statutory provisions governing the retention of public records. Personal information used in administering trust funds is exempt from public inspection and copying in accordance with RCW 42.17.310.
- The board of directors may require a fee to be paid to the district from trust fund moneys to reimburse the district for its cost in administering the trust funds.

### **Disbursement of Trust Fund Moneys**

Trust fund moneys shall be disbursed subject to the following conditions:

- No disbursements shall be made except as provided for in the appropriate trust instrument.
- Disbursement shall occur only upon presentation of properly prepared vouchers in such format and design, as the central district office shall prescribe.
- All disbursements from a school district trust fund or from any imprest bank account shall have the approval of the appropriate school district official and shall be identified with the appropriate trust instrument under which the disbursement is made.
- Warrants shall not be issued in excess of the moneys on deposit in the appropriate trust fund, nor shall a negative fund balance be allowed in any individual trust account.
- All disbursements shall be made by warrant except for disbursements from imprest bank accounts and petty cash funds (accounts) as provided for in this chapter.

### **Imprest Bank Checking Account**

The board of directors of a school district may authorize the establishment and maintenance of one or more imprest checking accounts for convenience and efficiency in expediting trust fund disbursements, subject to the following conditions:

- Any imprest bank checking account may be initiated by deposit of a warrant drawn on the appropriate trust fund. A reduction of the established amount in an imprest bank checking account shall be accomplished by depositing an imprest check to the trust fund account with the county treasurer.
- Disbursements from an imprest bank checking account shall be by check and shall be restricted to payments evidenced by vouchers bearing evidence of approval by the authorized district official.
- Expenses shall be recorded at least once each year by a warrant drawn on the appropriate trust fund in payment of an approved voucher in an amount equal to the sum total of the disbursements made by check from the imprest bank checking account during the preceding interval.

- In the event that the imprest bank checking account was established at an excessive amount and the trust fund does not contain sufficient money to replenish the imprest account to its authorized balance, a journal voucher shall be prepared and recorded debiting General ledger Account 530 Expenditures and crediting General Ledger Account 200 Imprest Cash for the amounts previously disbursed by check.
- The replenishment or journal voucher shall reflect such information as the central district office shall prescribe relative to identification of invoices, invoice approvals, codification of expenses, canceled checks, and other information deemed pertinent.

### **Accounting Records**

The following accounting records shall be kept by each district, which administers trust funds under this chapter. Specific formats are not prescribed, but the specified information must be included. The ASB chapter of the accounting manual contains examples of similar forms.

### **Cash Receipts/Cash Receipts Journal**

Receipts shall be prepared when cash is received and shall be listed in a journal showing date received, receipt number, from whom received, account number or identification of the applicable individual trust, and dollar amount. The journal shall also serve to summarize deposits made to the county treasurer.

### **Check Register**

For each imprest account used, a check register shall be maintained, showing the detail of deposits and disbursements. Deposits will consist of warrants drawn on the trust fund for initial establishment of the account and for subsequent replenishment. Disbursements will consist of payments for scholarships awarded and other authorized uses.

### **Imprest Bank Checking Account Replenishment Request**

A replenishment request showing the checks issued, payee, dollar amount, and identifying the trust will be prepared to record the replenishment of the imprest fund (account). This request will serve as the voucher authorizing the issuance of a trust fund warrant and, accordingly, will contain the required auditing officer's certification. At a minimum, replenishment will be made at year-end so that expenses can be properly recorded.

### **Reconciliation of Imprest Bank Checking Account Statement**

The imprest checking account will be reconciled monthly on forms showing the reconciliation of the bank statement to the check register balance and the reconciliation of the check register balance to the authorized balance of the imprest account.

### **Payment Order**

A payment order authorizing the issuance of an imprest account check will be prepared showing the detail of the disbursement, including identification of the trust agreement, payee, date, and other pertinent information.

### **Individual Trust Account Balance Record and Treasurer's Report**

This report will be prepared detailing the beginning balances, receipts, disbursements, and ending balances of each individual trust and summarizing these items for the total trust fund.

### **Accounts for Individual Trusts**

In Private-Purpose Trust Funds, each individual trust shall be assigned an activity number to be used to record revenues and expenses for the individual trust.

Numbering series are assigned as follows:

100(0) Series	Scholarships
200(0) Series	Student Aid
300(0) Series	Other

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## **TRUST FUND GENERAL LEDGER ACCOUNTS**

### **Assets**

200*	Imprest Cash
230*	Cash on Hand
240	Cash on Deposit with County Treasurer
241	Warrants Outstanding
320*	Due From Other Funds
340*	Accounts Receivable
360*	Accrued Interest Receivable
450*	Investments
455*	Investments—Deferred Compensation
460	Other Assets
490	Capital Assets—Land
491	Capital Assets—Buildings
493	Capital Assets—Equipment
498	Accumulated Depreciation—Buildings
499	Accumulated Depreciation—Equipment

### **Expenditure/Expense Accounts**

530*	Expenses
538*	Nonoperating Expenses

### **Liabilities**

601*	Accounts Payable
635*	Deferred Compensation Payable
640*	Due to Other Funds

### **Fund Balance**

810*	Reserved for Other Items
850	Reserved for Uninsured Risk
855	Reserved for Trust Principal
870	Unreserved, Designated for Other Items
890*	Unreserved, Undesignated Fund Balance

### **Revenue Accounts**

960*	Revenues
968*	Nonoperating Revenues

NOTE: \* Indicates a control account.

## **Description of General Ledger Accounts**

### **Abbreviations**

PPTF	Private-Purpose Trust Fund
PTF	Pension (and Other Employee Benefit) Trust Fund

### **Assets**

#### **200\* Imprest Cash**

Applicable Fund: (PPTF, PTF)

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

- Debit with the amount of petty cash established. Contra entry: credit Account 240 Cash on Deposit with County Treasurer.
- Credit with reduction or return of each amount previously established.
- Petty cash disbursements will be reimbursed by audited claims charged to the appropriate expense accounts and paid from Account 240 Cash on Deposit with County Treasurer. The reimbursement warrant will be drawn to the order of the custodian of the petty cash or other imprest cash.

#### **230\* Cash on Hand**

Applicable Fund: (PPTF, PTF)

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, except imprest bank checking accounts.

- Debit with trust fund cash receipts.
- Credit with deposits or remittances to the county treasurer. Contra entry: debit Account 240 Cash on Deposit with County Treasurer.

#### **240 Cash on Deposit with County Treasurer**

Applicable Fund: (PPTF, PTF)

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

- Debit with cash received directly by the county treasurer.
- Debit with trust fund cash receipts remitted to the county treasurer.
- Credit with warrants redeemed by the county treasurer. Contra entry: debit Account 241 Warrants Outstanding.

### **241 Warrants Outstanding**

Applicable Fund: (PPTF, PTF)

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

- Credit with the trust fund warrants issued.
- Debit with the amounts of warrants redeemed by the county treasurer.
- Debit with the amounts of warrants cancelled. Contra entry: credit account previously charged in the subsidiary expenditure ledger.

### **320\* Due from Other Funds**

Applicable Fund: (PPTF, PTF)

This account is used to record amounts due from other funds for services between funds.

- Debit with value of services to be reimbursed by other funds.
- Credit with payments from the funds that received services.

### **340\* Accounts Receivable**

Applicable Fund: (PPTF, PTF)

This account is used to record amounts owed to the trust fund by private persons, firms, or others for which other receivable accounts have not been established. Entries may be made to this account as transactions occur or they may be recorded at year-end.

- Debit with amounts due. Contra entry: credit Account 960 Revenues for amounts that represent available reimbursements for expenses already incurred.
- Credit with amounts received.

### **360\* Accrued Interest Receivable**

Applicable Fund: (PPTF, PTF)

Accrual basis districts use this account to record the amount of interest due on investments. To be susceptible to accrual, the interest income must be measurable and available to finance expenses of the current fiscal period.

- Debit with amounts due from investments.
- Credit with amounts received.

### **450\* Investments**

Applicable Fund: (PPTF, PTF)

Temporary investments of trust fund moneys not needed for current use, as permitted by statute, are to be recorded in this account.

- Debit with the amount of investments purchased.
- Credit with the purchase price of the original investment upon the sale of that investment. The excess over the purchase amount is credited to Accounts 960 Revenues or 968 Nonoperating Revenues for trust funds where the principal may not be

expended. The excess of the purchase amount over the amount received is debited to 530 Expenses or to 538 Nonoperating Expenses for such trust funds.

**455\* Investments—Deferred Compensation**

Applicable Fund: (PPTF)

This account is for the investment of moneys withheld from employee earnings for the purpose of deferring income. This is a district asset held to benefit the district until a future time when the employee qualifies for payment.

- Debit with the amount of investments purchased from wages withheld from employees.
- Debit with investment earnings.
- Credit with investment fees and/or loss on investments.
- Credit with liquidation of investments.

**460 Other Assets**

Applicable Fund: (PPTF)

This account is used to record assets of the trust funds that do not consist of cash, investments, or capital assets.

- Debit with the cost or estimated cost of the asset at the time of the donation.
- Credit with the recorded cost upon sale or disposition of the asset.

*Note: See Appendix A—Glossary of Terms for the definition of capital assets.*

**490 Capital Assets—Land**

Applicable Fund: (PPTF)

**491 Capital Assets—Buildings**

Applicable Fund: (PPTF)

**493 Capital Assets—Equipment**

Applicable Fund: (PPTF)

**498 Accumulated Depreciation—Buildings**

Applicable Fund: PPTF)

**499 Accumulated Depreciation—Equipment**

Applicable Fund: (PPTF)

## **Expense Accounts**

### **530\* Expenses**

Applicable Fund: (PPTF, PTF)

This account is used to record expenses. Details of the expense account will be maintained in the expense ledger.

- Debit with the amount of claims that are due and payable (accrual basis) and with the amount of payments made on claims (cash basis). Contra entry: credit Account 601 Accounts Payable for accrual basis districts.
- Credit with the amounts of voided and cancelled warrants for expenses.
- Credit with closing entry to Account 890 Unreserved, Undesignated Fund Balance.

### **538\* Nonoperating Expenses**

Applicable Fund: (PPTF)

This account is used to record expenses and losses arising from transactions of trust principal.

- Debit with realized losses or expenses associated with trust principal.
- Credit with closing entry to Account 855 Reserved for Trust Principal.

## **Liabilities**

### **601\* Accounts Payable**

Applicable Fund: (PPTF, PTF)

This account is used to record unpaid liabilities for goods received, scholarships awarded, or services performed, except those due to other funds which are recorded in Account 640 Due to Other Funds.

- Credit with the amount of audited vouchers and year-end accrual. Contra entry: debit Account 530 Expenses.
- Debit with the amount of the liabilities paid and credit memos received.
- The balance of this account represents the liability for unpaid vouchers.

### **635\* Deferred Compensation Payable**

Applicable Fund: (PTF)

This account is used to record the liability to participating employees for money withheld from their wages, which will be paid to the employee in the future.

- Credit with amount withheld from employee's pay.
- Credit with amount of investment earnings on money withheld from employees.
- Debit the amount of investment fees and/or loss on investment.
- Debit with payments to employees.

**640\* Due to Other Funds**

Applicable Fund: (PPTF, PTF)

This account is used to record the fund's liability for services performed by other funds of the school district.

- Credit with the dollar amount of services performed by another fund.
- Debit with the amount paid for services performed by another fund.
- A subsidiary account shall be maintained for each fund.

**Fund Balance**

**810\* Reserved for Other Items**

Applicable Fund: (PPTF, PTF)

This account is provided as a means for accumulating and restricting fund balance for future uses. The board of directors locally authorizes the amount put in this account.

- Debit with the amount removed from the reserve either by board action or because the purpose for the reserve has been fulfilled.
- Credit with amounts to be reserved.

**850 Reserved for Uninsured Risks**

Applicable Fund: (PTF)

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 required under self-insurance. Contra entries are made to Account 890 Unreserved, Undesignated Fund Balance.

- Credit with amounts as determined by an external party.
- Debit with amounts removed from the reserve because the reserve is no longer needed.

**855 Reserved for Trust Principal**

Applicable Fund: (PPTF)

For use in trusts in which the principal may not be expended, this account shows the portion of trust assets that represents principal. After the closing of the nonoperating revenue and nonoperating expense accounts, this account is equal to the principal of the trust.

- Credit with amounts received into the trust.
- Credit with the gains on the sale of investment principal.
- Debit with losses on the sale of investment principal.
- Debit with amounts removed from the trust by board action.
- Credit at the close of the fiscal year with the balance of Account 968 Nonoperating Revenue.
- Debit as a closing entry the balance of Account 538 Nonoperating Expenses.

**870 Unreserved, Designated for Other Items**

Applicable Fund: (PPTF, PTF)

This account shows the funds available for scholarship or other authorized purposes. Normally, the entire fund balance of the account is restricted by the trust agreement. This account shows the amounts available for scholarship or other authorized purposes but that have been reserved for a specific disbursement. This account represents the amounts available for specific use such as scholarships that have been reserved for a specific disbursement.

- Credit with amounts reserved for specific use such as scholarships.
- Debit with amounts removed from the reserve by board action in accordance with the trust agreement.

**890\* Unreserved, Undesignated Fund Balance**

Applicable Fund: (PPTF)

After the closing of the revenue and expense accounts, this account is equal to the excess of assets over liabilities, reserved for other items, reserved for trust principal, and the unreserved, designated for other items. This account is used in instances where a trust fund is not restricted to specific uses and there is money on hand that is unreserved for specific use by the district board of directors. This account is also used in instances where a trust fund has money restricted under the trust agreement for scholarships or other authorized purposes that has not been reserved for a specific disbursement.

- Credit at the close of the fiscal year with the balance of Account 960 Revenues.
- Debit or credit with a corresponding increase or decrease in Account 870 Unreserved, Designated for Other Items.
- Debit as a closing entry the balance of Account 530 Expenses.

**Revenue Accounts**

**960\* Revenues**

Applicable Fund: (PPTF, PTF)

This account is used to record actual revenues. For modified accrual basis districts, revenue in the trust fund should be recorded when measurable and available.

Do not use this account for refund of expenses.

- Credit with cash receipts and accruals of operating revenues as they become measurable and available.
- Debit with closing entry to Account 890 Unreserved, Undesignated Fund Balance.

**968\* Nonoperating Revenue**

Applicable Fund: (PPTF)

This account is used to record expenses and losses arising from transactions of trust principal.

- Debit with realized gains associated with trust principal.
- Credit with closing entry to Account 855 Reserved for Trust Principal.

## **TRUST FUND JOURNAL ENTRIES**

### **Opening Entry**

#1

General Ledger			
<u>Account</u>	<u>Account Title and Description</u>	<u>Debits</u>	<u>Credits</u>
230	Cash on Hand	100	
890	Unreserved, Undesignated Fund Balance		100

To record the trust fund opening entry as of September 1, 20XX. The opening entry is a one-time entry, made only when initially recording the expendable trust fund(s) on the district books.

### **Fund Balance—Reservation**

#2

General Ledger			
<u>Account</u>	<u>Account Title and Description</u>	<u>Debits</u>	<u>Credits</u>
890	Unreserved, Undesignated Fund Balance	100	
870	Unreserved, Designated for Other Items		100

To record the reservation of fund balance for scholarship or other designated purposes.

### **Cash—Transfer to County Treasurer**

#3

General Ledger			
<u>Account</u>	<u>Account Title and Description</u>	<u>Debits</u>	<u>Credits</u>
240	Cash on Deposit with County Treasurer	100	
230	Cash on Hand		100

To record the deposit of cash in the depository account of the county treasurer.

### **Cash—Imprest (Optional)**

#4

General Ledger			
<u>Account</u>	<u>Account Title and Description</u>	<u>Debits</u>	<u>Credits</u>
200	Imprest Cash	50	
241	Warrants Outstanding		50

To record the establishment of an imprest account or to increase an existing imprest account.

**#5**

General Ledger			
<u>Account</u>	<u>Account Title and Description</u>	<u>Debits</u>	<u>Credits</u>
530	Expenses	9	
241	Warrants Outstanding		9

To record the replenishment of an imprest account for audited disbursements.

**#6**

General Ledger			
<u>Account</u>	<u>Account Title and Description</u>	<u>Debits</u>	<u>Credits</u>
240	Cash on Deposit with County Treasurer	50	
200	Imprest Cash		50

To record the return of an imprest account when the account is reduced or abolished.

**Investments**

**#7**

General Ledger			
<u>Account</u>	<u>Account Title and Description</u>	<u>Debits</u>	<u>Credits</u>
450	Investments	15	
240	Cash on Deposit with County Treasurer		15

To record the purchase of investments.

**#8**

General Ledger			
<u>Account</u>	<u>Account Title and Description</u>	<u>Debits</u>	<u>Credits</u>
240	Cash on Deposit with County Treasurer	1	
960	Revenues		1

To record the interest realized from the sale of investments. See Entry #10 to record the gain of principal value on the sale.

**#9**

General Ledger			
<u>Account</u>	<u>Account Title and Description</u>	<u>Debits</u>	<u>Credits</u>
240	Cash on Deposit with County Treasurer	18	
450	Investments		15
968	Nonoperating Revenue		3

To record the sale of investments. The investment was sold for \$3 more than its purchase cost due to market appreciation.

**#10**

General Ledger			
<u>Account</u>	<u>Account Title and Description</u>	<u>Debits</u>	<u>Credits</u>
240	Cash on Deposit with County Treasurer	1	
960	Revenues		1

To record interest earnings on investments.

**Expenses**

**#11**

General Ledger			
<u>Account</u>	<u>Account Title and Description</u>	<u>Debits</u>	<u>Credits</u>
530	Expenses	4	
538	Nonoperating Expenses	2	
601	Accounts Payable		6

To record the accrual of expenses at the end of the fiscal year.

**Revenues**

**#12**

General Ledger			
<u>Account</u>	<u>Account Title and Description</u>	<u>Debits</u>	<u>Credits</u>
230	Cash on Hand	40	
960	Revenues		40

To record the revenues collected by the district for remittance to the county treasurer via the depository account.

**Closing Entries**

**#13**

General Ledger			
<u>Account</u>	<u>Account Title and Description</u>	<u>Debits</u>	<u>Credits</u>
890	Unreserved, Undesignated Fund Balance	81	
530	Expenses		81

To record the closing of expenses at the end of the fiscal year.

**#14**

General Ledger			
<u>Account</u>	<u>Account Title and Description</u>	<u>Debits</u>	<u>Credits</u>
960	Revenues	170	
890	Unreserved, Undesignated Fund Balance		170

To record the closing of revenues at the end of the fiscal year.

**#15**

General Ledger			
<u>Account</u>	<u>Account Title and Description</u>	<u>Debits</u>	<u>Credits</u>
855	Reserved for Trust Principal	81	
538	Nonoperating Expenses		81

To record the closing of nonoperating expenses at the end of the fiscal year.

**#16**

General Ledger			
<u>Account</u>	<u>Account Title and Description</u>	<u>Debits</u>	<u>Credits</u>
968	Nonoperating Revenues	7	
855	Reserved for Trust Principal		7

To record the closing of nonoperating revenues at the end of the fiscal year.

## **AGENCY FUNDS**

**Trust and Agency Funds—to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include (1) Private-Purpose Trust Funds, (2) Pension Trust Funds, (3) Investment Trust Funds (not allowed for school districts in Washington state), and (4) Agency Funds. (GASB Cod. Sec. 1100.103c[1]. See also Sec. 1300, “Fund Accounting.”)**

### **Agency Funds**

The Agency Fund is used to account for activities in which the district is acting in an agent capacity for some other organization, government, individual, or fund. Agency funds are purely custodial in nature (i.e., assets equal liabilities) and thus do not focus on the measurement of operations (i.e., there are no revenues, expenses, or fund balance). The modified accrual basis of accounting is used to measure financial position

An agency fund differs from a trust fund in that there is no formal trust agreement. 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.

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