

LIMITATION OF INDEBTEDNESS

RCW 39.36.020 provides that debt cannot be incurred in excess of the following percentages of the value of the taxable property of the district. All government fund types and all types of debt of these funds are considered in these limitations.

- 3/8% Without a vote of the people
- 2 1/2% With a vote of the people (3/5(.60) assent of those who voted)
- 5% With a vote of the people provided the indebtedness in excess of 2 1/2% (.025) is for capital outlay (3/5 (.60) assent of those who voted)

RCW 39.36.040 provides: "All orders, authorizations, allowances, contracts, payments or liabilities to pay, made or attempted to be made in violation of this chapter, shall be absolutely void and shall never be the foundation of a claim against the taxing district."

School districts are limited to an indebtedness of 3/8 of 1% (.00375) of the taxable property without a vote. Indebtedness of up to 2.125% (.02125) may be incurred for a total of 2.5% (.025) with the assent of three-fifths of the voters at an election. School districts may, with the assent of three-fifths (.60) of the voters incur indebtedness for an additional amount of up to 2.5% (.025) for capital outlays which would bring the total debt limit to 5% (.05) of the total value of the taxable property. These debt limits range from the least restrictive, without a vote, with a vote, with a vote for capital purposes and are cumulative for overall debt authority.

The first section (lines 1, 2 and 3) of the Debt Limit Calculation Worksheet which follows this discussion displays the debt limit calculation for the limitations listed above. The next portion of the workpaper (lines 4 through 12) displays the steps needed to calculate the amount of debt margin available to the district. This amount is the legal debt limit less any outstanding indebtedness plus uncollected taxes.

Instructions for Debt Limit Calculation

References are to line numbers on the Debt Limit Calculation Worksheet which follows.

1. The total value of the taxable property in the district is the total assessed valuation of the taxable property in the district before exclusions for the elderly, disabled, etc., with the timber tax roll at 100%.
2. The debt limit percentages as outlined above are the column headings for each type of debt.
3. The legal debt limit for each type of debt that may be incurred is arrived at by multiplying the total assessed valuation of the district by each of the applicable percentages.
- 4a. These are Matured Bonds Payable and Matured Bond Interest Payable amounts as reported for the Debt Service Fund (with the debt assignment to the most restrictive, capital voted, if applicable).
- 4b. The government funds outstanding current debt is arrived at by adding warrants outstanding to total liabilities plus deferred revenue accounts for the General Fund, Capital Projects Fund, and Transportation Vehicle Fund.
- 4c. Total Outstanding Current Debt is the sum of the rows preceding for the three types of debt and is the sum of the columns preceding for total debt.
- 5a. Cash and securities for the Debt Service Fund are entered in the areas provided. Cash with Fiscal Agent in a crossover refunding reported in the Debt Service Fund is to be excluded.
- 5b. Cash, securities and receivables for the government accounts enumerated in 4b, above, are entered as detailed.
- 5c. Total Cash, Securities and Receivables are the total of the preceding lines in this section for each type of debt, and the preceding columns for total debt.
- 5d. The application of cash, securities and receivables is limited to the amount of current debt which could be paid from such assets.
6. Net outstanding current debt is the total outstanding current debt less the amount of current assets available for debt service.

- 7a. Long-term bonds payable are entered in the column which classifies the type of obligation issued. For the purpose of any constitutional or statutory debt limitation according to RCW 39.53.100, new bonds issued in a crossover refunding are excluded from the computation of outstanding indebtedness until the crossover date. On the crossover date the old bonds are removed from the General Long-Term Debt Account Group and the new bonds are included in item 7a (General Ledger 690 Bonds Payable Long-Term).
- 7b. Contracts payable and accrued vacation and sick leave accounts are entered in the without vote column.
- 7c. Total long-term debt is the total of the preceding lines in this section for each type of debt and the total of the preceding columns for total debt.
- 8a. The total fund balance of the Debt Service Fund is entered in the respective columns.
- 8b. Net cash, securities and receivables, the amount not applied to current debt, is entered in the respective columns.
- 8c. Government funds (4b, above) Reservations of fund balance for debt service is entered in the without vote column.
9. Net outstanding long-term debt is the result of subtracting resources available for debt service, 8d, from total long-term debt, 7c. This amount can be a negative amount if fund reservations for debt service exceed the amount of long term debt obligations of the respective funds.
10. Net outstanding debt is the total of net current debt plus net long-term debt.
11. Uncollected taxes are, by statute, available for debt limit calculations.
12. Debt margin available is the legal debt limit for each type of debt, less the net outstanding debt of each type plus the uncollected taxes of governmental funds. (Lines 3 minus 10 plus 11 above).