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**PUBLIC INSTRUCTION**  
Chris Reykdal, Superintendent

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## **2023–24 School District Accounting Manual Addendum #2 – (240105 Gov Delivery)**

Good afternoon,

The purpose of this GovDelivery notice is to advise school districts of an addendum to the Accounting Manual for Public School Districts in the State of Washington (Accounting Manual). The effective date of this addendum is September 2023, and the changes are applicable to the school district fiscal year beginning September 1, 2023.

### **2023–24 SCHOOL DISTRICT ACCOUNTING MANUAL ADDENDUM #2**

#### **In Chapters 5 and 6: Pages 5-41 and 6-48: E-Rate—Federal**

E-Rate is a federal program from the beginning of the school year, and it is recommended that school districts use best practices to account for the award and expenditures. The 2023–24 Accounting Manual was published with E-Rate–Federal accounting codes for your use.

The SAM.gov listing for [ALN 32.004](#), Universal Service Fund – Schools and Libraries (aka E-Rate) has been updated with relevant information to school districts. The final documents were recently published. Please review the Assistance Listing document for complete details.

**The synopsis:** The language states that E-Rate **will not** be subject to single audits and expenditures are not reported on the SEFA. However, E-rate is a federal resource and there are other subsections of [2CFR § 200](#) which districts will need to consider. Please review the applicable subsections for details.

#### **Compliance Requirements**

In accordance with the provisions of 2CFR § 200, only a limited number of sections of Subparts C-D apply to the E-Rate program, specifically:

- 2 CFR § 200.203 - Requirement to provide public notice of Federal financial assistance programs.
- 2 CFR § 200.303 - Internal controls; and
- 2 CFR §§ 200.331-333 - Subrecipient Monitoring and Management.

The following 2CFR policy requirements **are excluded** from coverage under E-Rate:

- Subpart E, Cost Principles
- Subpart F, Audit Requirements

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The SAO has also confirmed with the FCC that there are no plans to apply the Single Audit Act to ALNs 32.004 and that the SAM.gov listing has been updated accordingly.

**Additional audit requirements:**

Participants may be subject to program compliance audits through the Universal Service Administrative Company's (USAC) Beneficiary and Contributor Compliance Audits program to ensure compliance with program rules and orders. USAC conducts these audits with FCC oversight. Also, the Payment Quality Assurance (PQA) program allows USAC to provide the FCC with information about improper payments to program beneficiaries, as required by the Payment Integrity Information Act.

**Accounting Best Practices**

School district personnel should use professional judgement to account for E-Rate in the fashion they deem appropriate for their district. Accounting best practices provide a level of assurance that the district can meet its internal control objectives in the event the USAC selects the district for compliance testing.

Revenue Code 6210, and Program 79, Activity 66 are available and should be used to account for all E-Rate revenues and expenditures from the beginning of the school year. School districts that receive E-Rate funding commitments are recipients of a federal award regardless of whether the district chooses to receive direct reimbursements against the commitment or has its service provider seek reimbursement on its behalf.

There are no plans to modify the School District Accounting Manual with additional E-Rate guidance.

For questions regarding E-Rate accounting, please reach out to Paul Stone at [paul.stone@k12.wa.us](mailto:paul.stone@k12.wa.us).

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**In Chapter 7, beginning on page 7-50: Modifications are made to the section illustrating adjusting journal entries for *Conditional Sales Contracts or Long-Term Notes*.** Guidance and adjusting entries are added for modified accrual accounting.

School districts are required to account for the initial recognition of non-voted debt financing as an Other Financing Source and a Capital Outlay expenditure.

The board of directors of the school district have the authority to enter into non-voted contractual obligations (RCW 28A.530.010, 28A.530.080, and 28A.335.170). Because the debt obligation is the responsibility of district administration, the Capital Outlay should be reported in Program 97 – Districtwide Support.

For school districts using modified accrual accounting, the initial recognition of the contractual obligation is reported at its present value in Activity 85 – Debt-Related Expenditures in the General Fund. As the district makes periodic payments to pay down the debt, interest and principal payments are recorded in Activities 83 and 84 respectively. Districts can transfer the cost of the capital equipment to the Program responsible for budgeting for the cost of its use. This is done through the Debit/Credit transfer process. The journal entries illustrated below use the same situational examples used in the leases journal entries.

**Modified Accrual Entries**

To Record the acquisition of equipment with a contractual obligation in the General Fund:

General Ledger Account	Subsidiary Ledger Required	Account Title	Debit	Credit
530	97-85-973X	Debt Service Expenditures	55,791	
965	9500	Other Financing Sources		55,791
To record the acquisition of capital assets using a conditional sales contract or a long-term non-voted note. The present value amount is recorded as a capital outlay expenditure in Activity 85 for the item acquired; and the \$55,791 is recorded to Account 9500, Other Financing Sources.				

To Record a periodic payment of principal and interest on the debt as an expenditure in Districtwide Support.

General Ledger Account	Subsidiary Ledger Required	Account Title	Debit	Credit
530	97-83-7832	Periodic Interest Payment	114	
530	97-84-7831	Periodic Reduction of Principal	886	
241		Warrants Outstanding		1,000
To record the periodic expenditures for the contractual obligation. Principal and Interest payments are recorded in Activities 83 and 84.				

To Record the periodic usage fee to the Program utilizing the equipment. This Debit/Credit transfer shifts the cost of the contractual obligation to the Program responsible for the acquisition of the equipment and budgeting for its costs.

General Ledger Account	Subsidiary Ledger Required	Account Title	Debit	Credit
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530	PP-AA-OXXX	Debit Transfer – Periodic Usage Fee – Charged to Program	1,000	
530	97-85-1XXX	Credit Transfer – Periodic Usage Fee – Credit from Debt Service		1,000
This is a Debit/Credit Transfer to charge the Program responsible for the acquisition of the asset. The Program is held responsible to budget for the costs. This transaction moves the periodic costs from Activity 85 to the Program as a “service or usage fee” charge.				

For questions regarding this GovDelivery notice or for Journal Entry accounting questions, please reach out to Paul Stone at [paul.stone@k12.wa.us](mailto:paul.stone@k12.wa.us).