



October 19, 2018

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**BULLETIN NO. 098-18 SCHOOL APPORTIONMENT AND FINANCIAL SERVICES**

**TO:** Educational Service District Superintendents  
Educational Service District Fiscal Officers

**FROM:** Chris Reykdal, Superintendent of Public Instruction

**RE:** ESD Accounting Manual Revisions for the 2017–18 School Year

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**PURPOSE AND BACKGROUND**

The *Educational Service District Accounting Manual* has been revised for the 2017–18 school year. The effective date is September 1, 2017.

The purpose of this bulletin is to advise educational service districts of the revisions to the *Accounting Manual*. A summary of changes is included in this bulletin.

The *ESD Accounting Manual* is distributed electronically. The *Accounting Manual* can be accessed online by selecting “ESD Page” from the SAFS website at <http://www.k12.wa.us/SAFS/default.asp>.

The online “print version” is provided to produce double-sided copies. Hardcopies of the *Accounting Manual* can be ordered from School Apportionment and Financial Services (SAFS) for a fee by contacting Becky Dillon at 360-725-6300, [becky.dillon@k12.wa.us](mailto:becky.dillon@k12.wa.us), or OSPI SAFS, P.O. Box 47200, Olympia, WA 98504.

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### **INFORMATION AND ASSISTANCE**

For questions regarding this bulletin, please contact Paul Stone, Supervisor of School District and ESD Accounting at 360-725-6303 or by email at [paul.stone@k12.wa.us](mailto:paul.stone@k12.wa.us). The OSPI TTY number is 360-664-3631. This bulletin is also available on the OSPI website at <http://www.k12.wa.us/BulletinsMemos/bulletins2018.aspx>.

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## SUMMARY OF CHANGES

### ESD Accounting Manual:

- Consistent use of “ESD” in place of “District” throughout the ESD Accounting Manual, where appropriate.

### Chapter 1, Principles of Accounting:

- Throughout Chapter 1, miscellaneous and minor modifications are made to the narrative guidance.
- **At Page 1:** In the INTRODUCTION section, the narrative guidance is updated to agree with the hierarchy of GAAP in GASB Statement 76.
- **At Page 5:** Clarifying comment on ESD General Fund as a proprietary fund; different from General Fund of Local Governments—throughout the remainder of the ESD Accounting Manual: General Expense to Operating Fund to be consistent with the F-185 Financial Statements terminology.
- **Beginning at Page 11:** Minor narrative edits to Capital Asset section. Added Board of Directors authority.
  - The capitalization policy of an ESD defines the dollar limits at which assets will be entered into the capital asset records and is established by the Board of Directors for the ESD.
- **At Page 29:** A new section, CENTRAL SERVICE COST ALLOCATIONS, is added:
  - ESDs have established a cost allocation plan which summarizes the methods and procedures the ESDs shall use to allocate central service cost pools to programs, grants, contracts, and agreements in accordance with CFR Part 200 Appendix V.
- **At Page 29:** Additional guidance is added to the section on INDIRECT COST LIMITS.

### Chapter 2, Principles of Reporting:

- Chapter 2 has been modified.
  - The Financial Statement section has been moved to Chapter 4.

- The Notes the Financial Statements section has been moved to Chapter 5.
- **At Page 2:** Added discussion regarding the users of ESD statements. Due to the organizational structure and nature of ESDs, the users of ESD statements are more limited:
  - The Office of Superintendent of Public Instruction, as the oversight and cognizant agency for ESDs.
  - Districts who participate in ESD consortiums and cooperatives.
  - Funders and creditors: grant award agencies and loan underwriters.
- **At Page 5:** Added statement about not altering F-185 for OSPI submission; can alter Financial Statement presentation for audit purposes.
  - The Form F-185 should be completed without alteration to OSPI in order to facilitate an accurate compilation of F-185 reported balances into OSPI's districtwide annual summary report. If other modifications are needed or desired for purposes of the audit (breaking out additional line items, retitling, etc.) those should be made on a second form "For the Audit."
- **At Page 7:** Budgetary information is not a GAAP required RSI. Moved it to its own bullet as an additional schedule of supplementary information; also specifically call out a budget schedule is an appropriate schedule for ESDs to include.
  - Other supplementary information, including budgetary comparison information. These schedules are presented after required supplementary information and may be presented due to regulatory requirements, rather than GAAP.
- **At Page 8:** Statement of Activity narrative removed. Narrative for the Statement of Revenues, Expenditures, and Changes in Fund Net Position has been added.
  - The Statement of Revenues, Expenditures, and Changes in Fund Net Position reports the operations of the ESD as net (expense) revenue of its individual funds. It shows the changes in the net position reported on the statement of net position by fund. This statement should report information about the inflows, outflows, and balances of current financial resources of each major governmental fund and for the nonmajor governmental funds in the aggregate. A total column should be presented. The statement should present the following information, in the format and sequence indicated:
    - Revenues (detailed)
    - Expenditures (detailed)
      - Excess (deficiency) of revenues over expenditures

- Other financing sources and uses, including transfers (detailed)
  - Special and extraordinary items (detailed)
    - Net change in fund balances
  - Fund balances—beginning of period
  - Fund balances—end of period
- **At Page 8:** Narrative guidance modified and updated for revenues and expenditures.

**General Revenues**

- All revenues are general revenues unless they are required to be reported as program revenues. Revenue is recorded consistent with restrictions of funding sources, if any. The following are typical general revenues for ESDs:
  - Apportionment from OSPI for the awarded budget
  - Interlocal agreements and contracts for services
  - Grant awards from other governments or entities
  - Program donations
  - Earnings on invested surplus cash; proceeds from asset disposals
  - Lease income from excess facility capacity

**Expenditures**

- ESDs are *not required* to allocate indirect expenditures to functional activities. They are, however, permitted to do so. Centralized administrative overhead does not need to be identified or eliminated, but should be disclosed in the notes to the financial statements or other identification. The F-185 identifies centralized administrative overhead as a line item functional expense.
- **Near Page 9:** Narrative guidance about the Certificate of Award is removed from the ESDAM.
  - **At Page 9:** The narrative guidance for Other Financial Reports is modified.
    - For educational service districts, there are three prescribed reports considered to be supplementary information. These reports are filed along with the ESD's financial statements to OSPI.
    - The third is the Budgetary Comparison Report. On this report, ESDs will compare their approved and amended budgets to actual results by revenue and expense,

consistent with the Statement of Changes in Net Position. This report is prepared for the General Fund Expenses only.

- **Beginning near Page 10:** Narrative guidance about the Schedule of Expenditure of Federal Awards (SEFA) is modified to ESSA reporting requirements.
- **Near Page 17:** Interlocal agreement filing requirement guidance is modified per Chapter 39.34.

### **Chapter 3, Chart of Accounts:**

- General Ledger Account Codes have been added.
  - 661 Net OPEB Liability
  - 716 Deferred Outflows of Resources OPEB Plans
  - 756 Deferred Inflows of Resources OPEB Plans
  - 892 Unrestricted Fund Balance Net Pension Liability
  - 893 Unrestricted Fund Balance Net OPEB Liability
- General Ledger Account Codes Titles have been changed.
  - G/L Account Code 711 is changed (from – to):
    - 711 Deferred Outflows of Pension Plan Investment Earnings
    - 711 Deferred Outflows of Resources Pension Plans
  - G/L Account Code 751 is changed (from – to):
    - 751 Deferred Inflows of Pension Plan Investment Earnings
    - 751 Deferred Inflows of Resources Pension Plans
- General Ledger Account Codes have been deleted from the Chart of Accounts:
  - 712 Deferred Outflows of Pension Plan Experience Differences
  - 713 Deferred Outflows of Pension Plan Assumption Changes
  - 714 Deferred Outflows of Pension Plan Changes in Proportions
  - 715 Deferred Outflows of Pension Plan Contributions
  - 752 Deferred Inflows of Pension Plan Experience Differences
  - 753 Deferred Inflows of Pension Plan Assumption Changes
  - 754 Deferred Inflows of Pension Plan Changes in Proportions
- New Activities have been added to the Chart of Accounts:
  - Activity 20—Supervision of Instruction
  - Activity 26—Health and Related Services

- Activity 41—Supervision of Food Services
  - Activity 42—Food
  - Activity 44—Food Operations
  - Activity 72—Information Systems
- Program, Activity, Object matrices have been modified, adding activities to various programs.
    - In Program 02: Activity 72 is added.
    - In Program 12: Activity 26 is added.
    - In Program 18: Activity 72 is added.
    - In Program 19: Activity 72 is added.
    - In Program 34: Activities 20, 26, 41, 42, 44, and 72 are added.
    - In Program 54: Activity 26 is added.
    - In Program 64: Activities 21 and 72 are added.
    - In Program 73: Activity 26 is added.

**Chapter 4, ESD Financial Statements:**

- The Financial Statement section has been moved from Chapter 2 to Chapter 4.
- The F-185 financial statements have been modified with applicable changes as noted in Chapters 2 and 3.
- The title General Operating Fund is changed to the General Expense Fund.
- Statement of Activity is changed to Statement of Revenues, Expenditures, and Changes in Net Fund Position.
- Budgetary Comparison is moved to RSI schedule.

**Chapter 5, Notes to the Financial Statements:**

- The Notes to the Financial Statements have been moved from Chapter 2 to Chapter 5.
- The Note Templates have been modified.

**Chapter 6, Federal Grants Management:**

- The Federal Grants Management chapter guidance in the School District Accounting Manual has been modified for educational service districts and inserted here.

**Appendix A: Approved Cost Allocation Plan:**

- The Cost Allocation Plan is incorporated into the ESD Accounting Manual. The purpose is to summarize the methods and procedures the educational service districts of the state of Washington shall use to allocate costs to programs, grants, contracts, and agreements (hereinafter referred to as cost objectives) in accordance with CFR Part 200 Appendix V for State/Local Governmentwide Central Service Cost Allocation Plans.