Generally Accepted Accounting Principles (GAAP) Notes to the Financial Statements

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____

(Name of School District)

Notes to the Financial Statements ①

September 1, 20XW Through August 31, 20XX

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the government-wide financial statements, noting that neither fiduciary funds nor component units that are fiduciary in nature are included.

The ______ School District (District) is a municipal corporation organized pursuant to Title 28A *Revised Code of Washington* (RCW) for the purpose of providing public school services. Oversight responsibility for the District's operations is vested with the independently elected board of directors. Management of the District in appointed by and is accountable to the board of directors. Fiscal responsibility, including budget authority and the power to set fees, levy property taxes, and issue debt consistent with provisions of state statutes, also rests with the board of directors.

The accounts of the District are organized on the basis of funds in governmental fund financial statements, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The District's basic financial statements in this report consist of:

Government-Wide Financial Statements

Overall, governmental activities are reported here without displaying individual funds or fund types and display information about the District as a whole. They include the primary government *(and its component unit)* however, they do not contain fiduciary activities or funds.

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The government-wide financial statements consist of the following:

<u>Statement of Net Position</u>

The statement of net position reports all financial and capital resources. Capital assets (land, land improvements, building, building improvements, vehicles, and equipment) are reported at historical cost, net of accumulated depreciation.

Statement of Activities

The operations of the District presented as net (expense) revenue of its individual function/program. General revenues are divided into property taxes, interest, and investment earnings. The expenses and revenues are reported as follows:

Expenses – Expenses are reported by function/program that includes direct and indirect expenses. Depreciation expenses are allocated to direct expenses if they can be specifically identified with a function/program. Interest expenses may be considered direct (interest on long-term debt, when borrowing is essential to the creation or continuing existence of a program) or indirect expenses (interest on long-term liabilities).

Revenues – The revenues are divided into program revenues and general revenues. Program revenues derived directly from the program itself or from parties outside the District's taxpayers, as a whole. They reduce the net cost of the function to be financed from the District's general revenues. Program-specific grants and contributions include revenues arising from mandatory and voluntary non-exchange transactions with federal, state governments, organizations, or individuals that are restricted for use in a particular program.

General revenues are revenues that are not required to be reported as program revenues such as property taxes levies for a specific purpose and all non-tax revenues (interest and investment earnings).

Fiduciary funds are not presented in the government-wide financial statements. They are presented in separate schedules.

Fund Financial Statements

The governmental fund reporting focuses primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. It includes the general fund, special revenue fund, capital projects fund, transportation vehicle fund, and debt service fund. Governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and the District considers all revenues available if they are collected within 60 days after year-end to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for the unmatured principal and interest, which are recorded when due. Financial resources usually are appropriated in other funds for transfer to a debt service fund in the period in which maturing debt principal and interest must be paid. Such amounts thus are not current liabilities of the debt services fund. Long-term liabilities are not recognized in governmental fund liabilities.

Brief description of the component units of the financial reporting entity and their relationships to the primary government.

(Add explanations of blended or discretely presented component units, if applicable.)

For financial reporting purposes, the ____________________ *(name of district)* includes all funds and organizations that are controlled by or dependent on the District's board of directors. Control by or dependence on the District was determined on the basis of budget adoption, taxing authority, outstanding debt secured by the general credit of the District, obligation of the District to finance any deficits that may occur, or receipt of significant subsidies from the District.

Description of the activities accounted for in each of the following columns—major funds, internal service funds, and fiduciary fund types—presented in the basic financial statements.

Governmental Funds

General Fund

This fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund. The revenues of the general fund are derived primarily from the state of Washington, local property taxes and federal grants. In keeping with the principle of as few funds as necessary, food services, maintenance, data processing, printing, and transportation activities are included in this fund.

Special Revenue Fund (Associated Student Body Fund)

These funds account for the proceeds of specific revenue sources that are legally restricted for specific purposes. The Associated Student Body Fund (ASB Fund) is the only fund of this type. This fund is accounted for as a special revenue fund since the financial resources belong to the district. Revenues include the extracurricular fees and resources collected in fundraising events for students.

Allowable expenditures include extra-curricular activities for students that are of a cultural, athletic, recreational, or social nature. Disbursements require the joint approval of the appropriate student body organization and the district's board of directors.

Debt Service Fund

This fund is used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related expenditures.

Capital Projects Funds

The capital projects fund type consists of the Capital Projects Fund and the Transportation Vehicle Fund.

The Capital Project Fund accounts for financial resources to be used for the construction or acquisition of major capital assets. This fund must be used when projects are financed wholly or in part by bond issues, intergovernmental resources, major private donations, or insurance recoveries. Expenditures in this fund may also be for energy capital improvements to existing buildings and the purchase of certain initial equipment for existing buildings.

The Transportation Vehicle Fund is used to account for the purchase, major repair, rebuilding, and debt service expenditures related to pupil transportation equipment. *(The major sources of revenues in this fund include the state reimbursement for pupil* *transportation equipment and special levies.) (or) (The District contracts bus services so the only revenue in this fund is interest income.)*

Permanent Fund

These funds are used to report resources legally restricted such that only earnings, and not principal, may be used to support the District's programs.

Fiduciary Funds③

Fiduciary funds' reporting focuses on net positions and changes in net position. Trust and agency funds are used to account for assets held in trust for individuals, private organizations, other districts, or other funds in its fiduciary capacity as trustee or agent.

Private-Purpose Trust Fund

This fund is used to account for resources legally held in trust in which principal and income benefit individuals, private organizations, or other governments. The trust agreement details whether principal and interest may both be spent, or whether only interest may be spent. Money from a Private-Purpose Trust Fund may not be used to support the district's programs. These trusts are primarily used for post-secondary scholarships, and to assist needy students with the purchase of uniforms, ASB memberships, etc.

Pension [and Other Employee Benefit]② Trust Fund

This fund is used to account for resources that are required to be held in trust for the members and beneficiaries of pension plan or other employee benefit plan.

Agency Fund

This fund is used to account for resources where the District's role is purely custodial. (Describe your district's agency funds.)

Major and Non-major Funds

The District considers all governmental funds "major funds".

The measurement focus and basis of accounting used in the government-wide statements.

The districtwide financial statements measure and report all assets (both financial and capital), liabilities, revenues, expenses, gains, and losses using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), and financial position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.
Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The private-purpose trust funds are reported on the accrual basis of accounting. Agency funds that are custodial in nature and do not involve measurement of results of operation, are reported on the accrual basis of accounting.

Basis of Accounting

In the government-wide financial statements, governmental activities are presented using the accrual basis of accounting under which revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this method, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due. The District considers revenues derived from property taxes available when they are collected within 60 days after year-end.

The policy for eliminating internal activity in the government-wide statement of activities.

In the process of aggregating data, the government-wide Statement of Net Position and the Statement of Activities, the inter-fund receivables and payables within governmental funds, except those with fiduciary funds, were eliminated.

Due From/To Other Funds

In governmental funds, activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” They are eliminated in government-wide financial statements.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

The policy for capitalizing assets and for estimating the useful lives of those assets.

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activity columns in the districtwide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $_______ (record capitalization amount) and an estimated useful life in excess of one year. Such assets are valued at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are valued at their estimated fair value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Property, plant, and equipment of the District is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	20–50
Building improvements	5–50
Pupil transportation vehicles	3–13
Other vehicles	5
Portables	25
Office equipment	10
Computer equipment	4

Fixed assets used in governmental fund operations are accounted for as capital outlay expenditures upon acquisition.

The definition of cash and cash-equivalents used in the statement of cash flows for proprietary funds.

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The county treasurer is the ex officio treasurer for the District. In this capacity, the county treasurer receives deposits and transacts investments on the District's behalf.

Washington state statutes authorize the District to invest in (1) securities, certificates, notes, bonds, short-term securities, or other obligations of the United States and (2) deposits in any state bank or trust company, national banking association, stock savings bank, mutual savings bank, savings and loan association, and any branch bank engaged in banking in the state in accordance with RCW 30.04.300 if the institution has been approved by the Public Deposit Protection Commission to hold public deposits and has segregated eligible collateral having a value of not less than its maximum liability. Temporary investments are stated at cost plus accrued interest, which approximates market. Other investments of the District are reported at fair value.

The government's policy regarding whether to first apply restricted, committed or assigned resources when an expense meeting more than one classification is incurred.

The District receives state funding for specific categorical education-related programs. Amounts that are received for these programs that are not used in the current fiscal year may be carried forward into the subsequent fiscal year, where they may be used only for the same purpose as they were originally received. When the District has such carryover, those funds are expended before any amounts received in the current year are expended.

Additionally, the District has other restrictions placed on its financial resources. When expenditures are recorded for purposes for which a restriction or commitment of fund balance is available, those funds that are restricted or committed to that purpose are considered first before any unrestricted or unassigned amounts are expended.

The government's fund balance classifications policies and procedures.

The District classifies ending fund balance for its governmental funds into five categories.

<u>Nonspendable Fund Balance</u>. The amounts reported as Nonspendable are resources of the District that are not in spendable format. They are either non-liquid resources such as inventory or prepaid items, or the resources are legally or contractually required to be maintained intact.

<u>Restricted Fund Balance</u>. Amounts that are reported as Restricted are those resources of the District that have had a legal restriction placed on their use either from statute, WAC, or other legal requirements that are beyond the control of the board of directors. Restricted fund balance includes anticipated recovery of revenues that have been received but are restricted as to their usage.

<u>Committed Fund Balance</u>. Amounts that are reported as Committed are those resources of the District that have had a limitation placed upon their usage by formal action of the District's board of directors. Commitments are made either through a formal adopted board resolution or are related to a school board policy. Commitments may only be changed when the resources are used for the intended purpose or the limitation is removed by a subsequent formal action of the board of directors.

<u>Assigned Fund Balance</u>. In the General Fund, amounts that are reported as Assigned are those resources that the District has set aside 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. Assignments reduce the amount reported as Unassigned Fund Balance, but may not reduce that balance below zero.

In other governmental funds, Assigned fund balance represents a positive ending spendable fund balance once all restrictions and commitments are considered. These resources are only available for expenditure in that fund and may not be used in any other fund without formal action by the District's board of directors and as allowed by statute.

The {title of person or persons} is/are the only person (persons) who have the authority to create Assignments of fund balance.

Unassigned Fund Balance. In the General Fund, amounts that are reported as Unassigned are those net spendable resources of the District that are not otherwise Restricted, Committed, or Assigned, and may be used for any purpose within the General Fund.

In other governmental funds, Unassigned fund balance represents a deficit ending spendable fund balance once all restrictions and commitments are considered.

A negative Unassigned fund balance means that the legal restrictions and formal commitments of the District exceed its currently available resources.

NOTE 2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

The _________ County Treasurer is the *ex officio* treasurer for the District and holds all accounts of the District. The District directs the County Treasurer to invest those financial resources of the District that the District has determined are not needed to meet the current financial obligations of the District.

The district's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

All of the District's investments during the year and at year-end were insured or registered and held by the District or its agent in the District's name.

Washington State statutes authorize the district to invest in the following types of securities:

- Certificates, notes, or bonds of the United States, its agencies, or any corporation wholly owned by the government of the United States,
- Obligations of government-sponsored corporations which are eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve System,
- Bankers' acceptances purchased on the secondary market,
- Repurchase agreements for securities listed in the three items above, provided that the transaction is structured so that the public treasurer obtains control over the underlying securities,
- Investment deposits with qualified public depositories,
- Washington State Local Government Investment Pool, and
- County Treasurer Investment Pools.

*Format Option #1*⑥⑦⑧

The District's investments as of August 31, 20XX, are as follows:

	Number of Securities	Carrying Amount	Market Value
Certificates of Deposit or Other Time Deposits			
Repurchase Agreements			
Bankers' Acceptance			
Obligations of the U.S. Government or Its Subsidiary Corporations			
Investments Held by Broker-Dealers Under Reverse Repurchase Agreements: U.S. Government Securities U.S. Instrumentality Securities			
State Treasurer's Investment Pool			
County Treasurer's Investment Pool			
Total Investments			

Format Option #2⑥⑦⑧

The District's investments are categorized as follows to give an indication of the level of risk assumed by the entity as of August 31, 20XX. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or its trust department or agent but not in the District's name.

	Category			Carrying Amount	Market Value
	1	2	3		
Certificates of Deposit or Other Time Deposits					
Repurchase Agreements					
Banker's Acceptances					
Obligations of the U.S. Government or its Subsidiary Corporations					
Investment Held by Broker-Dealers Under Reverse Repurchase Agreements					
U.S. Government Securities					
U.S. Instrumentality Securities					
Total					
State Treasurer's Investment Pool					
County Treasurer's Investment Pool					
Total Investments					

(If the district participates in the state LGIP, disclose the following:)
The Washington State Local Government Investment Pool (LGIP) is operated by the Washington State Treasurer and is managed in a manner generally consistent with SEC regulated Rule 2a-7 money market funds. Participation in the pool is voluntary and the pool is not rated by a nationally recognized statistical rating organization (NRSRO). Fair value of the district's investment in the pool is measured using a net asset value (NAV) calculation based on the amortized cost of all securities held such that the securities will be valued at their acquisition cost, plus accrued income, amortized daily. The pool maintains a Weighted Average Maturity (WAM) of 60 days or shorter.

(If the district participates in the County investment pool, disclose the following:)
The district's participation in the _________ (name of County investment pool) is voluntary and the pool is not rated by a nationally recognized statistical rating organization (NRSRO). The fair value of the district's investment in the pool is measured using a net asset value (NAV) as determined by the pool. The pool maintains a (duration/weighted average maturity) of_____________.
Note to preparer *regarding the County investment pool disclosure statement: Information on duration/weighted average maturity is available from your county treasurer.*

(Additional Note Disclosure if applicable: any limitations or restrictions on withdrawals such as redemption notice periods, maximum transaction amounts, and the external investment pool's authority to impose liquidity fees or redemption gates should also be disclosed.)

(If the district has other investments:)
(If applicable, provide disclosures for each of the following types of risk. The district should also disclose any policies as they relate to these specific investment/deposit risks. If the district does not have a policy that addresses a specific type of risk, the notes should disclose this fact.)

- *Credit Risk:* D*isclose credit ratings for investments in debt securities, whether held directly or indirectly including the credit ratings for positions in external investment pools. If a rating is not available, that fact should be disclosed.*
- *Custodial Credit Risk: This is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.*
- *Concentration of Credit Risk: Disclose amount and issuer of investments that represents five percent or more of total investments. This requirement does not apply to investments issued or explicitly guaranteed by the U.S government and investments in mutual funds, external investment pools, and other pooled investments.*
- *Interest Rate Risk: Information should be organized by investment type and amount using one of the five allowable methods (See GASB 40 Par. 15).*
- *Foreign Currency Risk: If a district's deposits or investments are exposed to foreign currency risk, the government should disclose the U.S. dollar balances of such deposits or investments, organized by currency denomination and, if applicable, investment type.*

*Fair Value - **Notes to the Preparer**:*
Investments should be reported by investment type. Districts who are members of an external investment pool through the County or State LGIP should report the fair value of their investment at August 31, xxxx, as provided by the pool. For investments other than state or county investment pools, districts should use quoted market prices to report the fair value of the investment whenever available. If quoted market prices are not available or are otherwise not representative of the fair value of the investment, see GASB 72 for guidance on determining fair value. Districts should disclose a description of the valuation technique used to measure/report fair value and the level (1, 2, or 3).

NOTE 3: SIGNIFICANT CONTINGENT LIABILITIES

(Describe the contingencies or state that there were none at the balance sheet date. Contingencies that are both probable and for which the amount of the loss can be reasonably estimated should be accrued and disclosed with a description. A reasonably possible contingency should be disclosed with a description of the contingency and the range of possible amounts of loss.)②

Litigation

The District has no known legal obligations that would materially impact the financial position of the District.

Or *(Describe the litigation that materially impacts the district.)*②

Arbitrage Rebate⑤

(The Tax Reform Act of 1986 requires the District to rebate the earnings on the investment of bond and revenue anticipation note proceeds, in excess of their yield, to the federal government. This requirement is effective for the District's ____ bond issue(s) after September 1, 1986, currently totaling $______ million as of August 31. Of the rebate, 90 percent is due and payable five years from the date bonds were issued and at five-year intervals thereafter. The remaining 10 percent is payable 60 days after they are retired. Because positive arbitrage can be offset against negative arbitrage, the rebatable amount fluctuates each year and may or may not be owed at the payment intervals. Because of the uncertainty of having to make this payment, the District is contingently liable for arbitrage rebate currently computed to total $__________ as of August 31, 20XX.)

ESD 113 Insurance Cooperative⑤

(Applicable disclosure for school districts that participated in the ESD 113 Insurance Cooperative which ceased operations in August 2003. This contingency disclosure will be required for all districts that participated in the cooperative until the earlier of ESD 113 obtaining outside coverage that will mitigate individual districts' liability or the potential unpaid liability becomes immaterial in relation to the district's statements.)

In (month and year), the District joined together with other school districts to form ESD 113 Insurance Cooperative, a public entity risk pool for property and casualty insurance.

On August 20, 2003, the ESD 113 Insurance Cooperative (EIC) Advisory Board voted to cease operation of the EIC. The EIC continues to be responsible for the resolution of all open claims and other liabilities arising from the time of operation of the EIC up to August 31, 2003. The EIC provided property and liability insurance to members. Provisions of the EIC agreement, Chapter 48.62 RCW, and Chapter 236-22 WAC require that only the remaining assets be distributed after all financial and legal obligations of the EIC have been resolved.

Based on the EIC's April 2007 actuarial study by PriceWaterhouseCoopers and current year-end EIC reports, the EIC does not hold sufficient assets to cover the estimated liabilities for which it is responsible. A member assessment is necessary to provide sufficient assets to adequately fund remaining EIC responsibilities.

It is both probable and reasonably estimated that the District may be liable for at least \$________ (current year actuarial assessment) or a possible assessment of \$_________ (worst case assumption) over the next six years. Of this amount, \$__________ is due in the 20XX–20XY fiscal year. The remainder is reported here as a contingent liability in the amount of \$___________.

The projected assessment is based on current claims reported and an actuarial projection based on the prior six years. The EIC will have an assessment of the contingency conducted annual to evaluate the District's probable liability. The time period for disclosing the contingency may change with each year's valuation.

NOTE 4: SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

There were no events after the balance sheet date that would have a material impact on the next or future fiscal years.

Or: *(Describe significant events after the financial statement dates that materially impact the next and future years. Subsequent events are events or transactions that occurred subsequent to the balance sheet date, but prior to the issuance of the financial statements and audit report, that have a material effect on the financial statements. Events that provide additional evidence with respect to conditions that existed at the balance sheet date should result in adjustment to the statements. Conditions that arose subsequent to the date of the financial statements but that are of such an importance that disclosure is essential to a user's understanding of the statements should be disclosed.)*

NOTE 5: PENSION PLANS

General Information

The Washington State Department of Retirement Systems (DRS), a department within the primary government of the state of Washington, prepares a stand-alone comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each pension plan. The pension plan's basic financial statement is accounted for using the accrual basis of accounting. The measurement date of the pension plans is June 30. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of pension plans administered by DRS and additions to/deductions from the plans' net position have been determined on the same basis as they are reported by the plans.

Detailed information about the pension plans' fiduciary net position is available in the separately issued DRS CAFR. Copies of the report may be obtained by contacting the Washington State Department of Retirement Systems, P.O. Box 48380, Olympia, WA 98504-8380; or online at http://www.drs.wa.gov./administrations/annual-report.

Membership Participation

Substantially all school district full-time and qualifying part-time employees participate in one of the following three contributory, multi-employer, cost-sharing statewide retirement systems managed by DRS: Teachers' Retirement System (TRS), Public Employees' Retirement System (PERS) and School Employees' Retirement System (SERS).

Membership participation by retirement plan as of June 30, 20X6, was as follows:

Plan	Retirees and Beneficiaries Receiving Benefits	Inactive Plan Members Entitled to but not yet Receiving Benefits	Active Plan Members
PERS 1			
SERS 2			
SERS 3			
TRS 1			
TRS 2			
TRS 3			

Membership & Plan Benefits

Certificated employees are members of TRS. Classified employees are members of PERS (if Plan 1) or SERS. Plan 1 under the TRS and PERS programs are defined benefit pension plans whose members joined the system on or before September 30, 1977. TRS 1 and PERS 1 are closed to new entrants.

TRS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component. TRS eligibility for membership requires service as a certificated public school employee working in an instructional, administrative or supervisory capacity.

TRS is comprised of three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

TRS Plan 1 provides retirement, disability and death benefits. TRS 1 members were vested after the completion of five years of eligible service. Retirement benefits are determined as two percent of the average final compensation (AFC), for each year of service credit, up to a maximum of 60 percent, divided by twelve. The AFC is the total earnable compensation for the two consecutive highest-paid fiscal years, divided by two. Members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. Other benefits include temporary and permanent disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

TRS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the average final compensation (AFC) per year of service for Plan 2 members and one percent of AFC for Plan 3 members. The AFC is the monthly average of the 60 consecutive highest-paid service credit months. There is no cap on years of service credit. Members are eligible for normal retirement at the age of 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. TRS Plan 2/3 members, who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a reduced benefit.

The benefit is reduced by a factor that varies according to age, for each year before age 65. TRS Plan 2/3 members who have 30 or more years of service credit, were hired prior to May 1, 2013, and are at least 55 years old, can retire under one of two provisions: With a benefit that is reduced by three percent for each year before age 65; or with a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

TRS Plan 2/3 members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service.
TRS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit.

Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the Consumer Price Index), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

PERS Plan 1 provides retirement, disability and death benefits. PERS 1 members were vested after the completion of five years of eligible service. Retirement benefits are determined as two percent of the member’s average final compensation (AFC) times the member’s years of service. The AFC is the average of the member’s 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service.

Members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

SERS is a cost-sharing multiple-employer retirement system comprised of two separate plans for membership purposes. SERS Plan 2 is a defined benefit plan and SERS Plan 3 is a defined benefit plan with a defined contribution component. SERS members include classified employees of school districts and educational service districts.

SERS is reported as two separate plans for accounting purposes: Plan 2/3 and Plan 3. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

SERS provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member’s average final compensation (AFC) times the member’s years of service for Plan 2 and one percent of AFC for Plan 3. The AFC is the monthly average of the member’s 60 highest-paid consecutive service months before retirement, termination or death. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. SERS members, who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a reduced benefit.

The benefit is reduced by a factor that varies according to age, for each year before age 65. SERS members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 2, 2013: With a benefit that is reduced by three percent for each year before age 65; or with a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

SERS members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service. SERS retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost- of-living allowance (based on the

Consumer Price Index), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

Plan Contributions

The employer contribution rates for PERS, TRS, and SERS (Plans 1, 2, and 3) and the TRS and SERS Plan 2 employee contribution rates are established by the Pension Funding Council based upon the rates set by the Legislature. The methods used to determine the contribution requirements are established under chapters 41.40, 41.32, and 41.35 RCW for PERS, TRS and SERS respectively. Employers do not contribute to the defined contribution portions of TRS Plan 3 or SERS Plan 3. Under current law the employer must contribute 100 percent of the employer-required contribution. The employee contribution rate for Plan 1 in PERS and TRS is set by statute at six percent and does not vary from year to year.

The Employer and employee contribution rates for the PERS plan are effective as of July 1. SERS and TRS contribution rates are effective as of September 1. The pension plan contribution rates (expressed as a percentage of covered payroll) for 20XX were as follows:

Pension Rates			
	7/1/XX Rate	7/1/XW Rate	
PERS 1			
Member Contribution Rate			
Employer Contribution Rate			
Pension Rates			
	9/1/XX Rate	9/1/XW Rate	
TRS 1			
Member Contribution Rate			
Employer Contribution Rate			
TRS 2			
Member Contribution Rate			
Employer Contribution Rate			
TRS 3			
Member Contribution Rate	*	*	
Employer Contribution Rate			**
SERS 2			
Member Contribution Rate			
Employer Contribution Rate			
SERS 3			
Member Contribution Rate	*	*	
Employer Contribution Rate			**
Note: The DRS administrative rate of .00XX is included in the employer rate.			
* = Variable from 5% to 15% based on rate selected by the member.			
** = Defined benefit portion only.			

The Collective Net Pension Liability

The collective net pension liabilities for the pension plans school districts participated in are reported in the following table.

The Net Pension Liability as of June 30, 20XX:				
Dollars in Thousands	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Total Pension Liability				
Plan fiduciary net position				
Participating employers' net pension liability				
Plan fiduciary net position as a percentage of the total pension liability				

The School District's Proportionate Share of the Net Pension Liability (NPL)

At June 30, 20XX, the school district reported a total liability of $__________ for its proportionate shares of the individual plans' collective net pension liability. Proportions of net pension liability is based on annual contributions for each of the employers participating in the DRS administered plans. At June 30, 20XX, the district's proportionate share of each plan's net pension liability is reported below:

June 30, 20XX	PERS 1	SERS 2/3	TRS 1	TRS 2/3
District's Annual Contributions				
Proportionate Share of the Net Pension Liability				

At **June 30,** 20XX, the school district's percentage of the proportionate share of the collective net pension liability was as follows and the change in the allocation percentage from the prior period is illustrated below.

Change in Proportionate Shares	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Current year proportionate share of the Net Pension Liability				
Prior year proportionate share of the Net Pension Liability				
Net difference percentage				

Actuarial Assumptions

Capital Market Assumptions (CMAs) and expected rates of return by asset class are provided by the Washington State Investment Board. The Office of the State Actuary relied on the CMAs in the selection of the long-term expected rate of return for reporting purposes.

The total pension liabilities for TRS 1, TRS 2/3, PERS 1 and SERS 2/3 were determined by actuarial valuation as of June 30, 20XW, with the results rolled forward to June 30, 20XX, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation	X.XX% total economic inflation, X.XY% salary inflation
Salary increases	In addition to the base X.XY% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
Investment rate of return	X.XZ%

Mortality Rates

Mortality rates used in the plans were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime. The actuarial assumptions used in the June 30, 20XX, valuation were based on the results of the 2007–2012 Experience Study. Additional assumptions for subsequent events and law changes are current as of the 20XX actuarial valuation report.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best-estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the Washington State Investment Board (WSIB). Those expected returns make up one component of WSIB’s CMAs. The CMAs contain three pieces of information for each class of assets the WSIB currently invest in:

- Expected annual return
- Standard deviation of the annual return
- Correlations between the annual returns of each asset class with every other asset class

WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The long-term expected rate of return of X.XX percent approximately equals the median of the simulated investment returns over a fifty-year time horizon, increased slightly to remove WSIB’s implicit and small short-term downward adjustment due to assumed mean reversion. WSIB’s implicit short-term adjustment, while small and appropriate over a ten to fifteen-year period, becomes amplified over a fifty-year measurement period.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plans’ target asset allocation as of June 30, 20XX, are summarized in the following table:

TRS 1, TRS 2/3, PERS 1, and SERS 2/3		
Asset Class	Target Allocation	% Long-term Expected Real Rate of Return
Fixed Income		
Tangible Assets		
Real Estate		
Global Equity		
Private Equity		

The inflation component used to create the above table is ___ percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

Discount Rate

The discount rate used to measure the total pension liability was ___ percent. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed ___ percent long-term discount rate to determine funding liabilities for calculating future contributions rate requirements. Consistent with the long-term expected rate of return, a ___ percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of ___ percent on pension plan investments was applied to determine the total pension liability.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The Pension Plans reported collective Deferred Outflows of Resources and collective Deferred Inflows of resources related to the individual plans. At August 31, 20XX, the District reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

Plan Name	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	$	$
Net difference between projected and actual earnings on pension plan investments	$	$
Changes in assumptions or other inputs	$	$
Changes in proportion and differences between contributions and proportionate share of contributions	$	$
Contributions subsequent to the measurement date	$	$
TOTAL	$	$

Plan Name	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	$	$
Net difference between projected and actual earnings on pension plan investments	$	$
Changes in assumptions or other inputs	$	$
Changes in proportion and differences between contributions and proportionate share of contributions	$	$
Contributions subsequent to the measurement date	$	$
TOTAL	$	$

Plan Name	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	$	$
Net difference between projected and actual earnings on pension plan investments	$	$
Changes in assumptions or other inputs	$	$
Changes in proportion and differences between contributions and proportionate share of contributions	$	$
Contributions subsequent to the measurement date	$	$
TOTAL	$	$

Plan Name	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	$	$
Net difference between projected and actual earnings on pension plan investments	$	$
Changes in assumptions or other inputs	$	$
Changes in proportion and differences between contributions and proportionate share of contributions	$	$
Contributions subsequent to the measurement date	$	$
TOTAL	$	$

$________ reported as Deferred Outflows of Resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 20XY.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended August 31	PERS 1	SERS 2/3	TRS 1	TRS 2/3
20XY				
20XZ				
20XZ				
20XZ	-			
20XZ	-			
Thereafter	-			

Pension Expense

The District recognizes a pension expense for its proportionate share of the collective pension expense. This is determined by using the district's proportion share of the collective net pension liability. For the year ending August 31, 20XX, the district recognized a total pension expense as follows:

	Pension Expense
PERS 1	$
SERS 2/3	$
TRS 1	$
TRS 2/3	$
TOTAL	$

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the ____________ School District's proportionate share of the collective net pension liability (NPL) calculated using the discount rate of ____ percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (_____ percent) or one percentage-point higher (_____ percent) than the current rate. Amounts are calculated using the school district's specific allocation percentage, by plan, to determine the proportionate share of the collective net pension liability.

	1% Decrease (____%)	Current Discount Rate (____%)	1% Increase (____%)
PERS 1 NPL			
Allocation Percentage			
Proportionate Share of Collective NPL			
SERS 2/3 NPL			
Allocation Percentage			
Proportionate Share of Collective NPL			
TRS 1 NPL			
Allocation Percentage			
Proportionate Share of Collective NPL			
TRS 2/3 NPL			
Allocation Percentage			
Proportionate Share of Collective NPL			

Schedules of Required Supplementary Information

The required supplementary information identified below is presented separately for each plan the school district participates in. The amounts reported in the Schedules of the Districts Proportionate Share of the Net Pension Liability are determined as of the June 30 measurement date of the collective net pension liability. (*Prepare a separate table for each plan*.)

Schedule of the District's Proportionate Share of the Net Pension Liability		
Plan Name		
Last 10 Fiscal Years* (Dollar amounts in thousands)		
	2016	2015*
District's proportion of the net pension liability (percentage)		
District's proportionate share of the net pension liability (amount)		
District's covered-employee payroll		
District's proportionate share of the net pension liability (amount) as a percentage of its covered payroll		
Plan fiduciary net position as a percentage of the total pension liability		

* This schedule is to be built prospectively until it contains ten years of data.

The information identified below is the Schedule of District Contributions, by Plan. The amounts reported in the Schedules of District Contributions are determined as of the school district's fiscal year ending August 31. (*Prepare a separate table for each plan*.)

Schedule of District Contributions		
Plan Name		
Last 10 Fiscal Years* (Dollar amounts in thousands)		
	2016	2015*
Contractually required contribution		
Contributions in relation to the contractually required contributions		
Contribution deficiency (excess)		
District's covered-employee payroll		
Contribution as a percentage of covered-employee payroll		

* This schedule is to be built prospectively until it contains ten years of data.

Note to Preparer: RSI schedules are include here for reference but they should be displayed in a separate RSI document; and not included in the Notes to the Financial Statements.

NOTE 6: ANNUAL OTHER POST-EMPLOYMENT BENEFIT COST AND NET OPEB OBLIGATIONS

The state, through the Health Care Authority (HCA), administers an agent multiple-employer other post-employment benefit plan. The Public Employees Benefits Board (PEBB), created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage, including establishment of eligibility criteria for both active and retired employees. Programs include medical, dental, life and long-term disability.

Employers participating in the PEBB plan include the state (which includes general government agencies and higher education institutions), 60 of the state's K–12 school and educational service districts (ESDs), and 221 political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the remaining 237 K–12 school districts and ESDs. The District's retirees are eligible to participate in the PEBB plan under this arrangement.

The District is deemed to provide to its retirees employer-provided subsidies associated with post-employment medical and life insurance benefits provided through the PEBB. According to state law, the Washington State Treasurer collects a fee from all school district entities which are not current active members of the state Health Care Authority but participate in the state retirement system. As outlined in the state's operating budget, school districts are mandated to pay the state HCA $xx.xx per month per full-time equivalent employee in the 20XW–XX fiscal year to support the program. This assessment to the District is subject to change annually. Participation in the PEBB is limited to the District's retirees.

Plan Description

Eligibility

District members are eligible for retiree medical benefits after becoming eligible for service retirement pension benefits (either reduced or full pension benefits) under TRS Plan 2 and Plan 3.

- Age 65 with 5 years of service
- Age 55 with 20 years of service

Former employees who are entitled to a deferred vested pension benefit are not eligible to receive medical benefits after pension benefit commencement. Survivors of covered members who die are eligible for medical benefits.

Medical and Life Benefits

Upon retirement, members are permitted to receive medical benefits. Retirees pay the following monthly rates for pre-65 medical coverage for 20XX:

	Type of Coverage		
Descriptions	Employee	Employee & Spouse	Full Family
(Plan name)	$xxx.xx	$xxx.xx	$xxx.xx

For calendar year 20XX, after age 65, retired members receive a subsidy of 50 percent of their monthly medical premiums up to $xxx.xx per Medicare covered person. For calendar year 20XX, retirees also receive an explicit subsidy of $x.xx per month toward life insurance premiums.

Funding Policy

The funding policy is based on pay-as-you-go financing requirements.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other post-employment benefit (OPEB) cost is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover the normal cost each year and amortize any unfunded actuarially accrued liabilities (UAAL) over a period of thirty years as of (date). The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB.

	August 31, 20XV	**August 31, 20XW**	**August 31, 20XX**
Determination of Annual Required Contribution			
Normal Cost at Year End			
Amortization of UAAL			
Annual Required Contribution (ARC)			
Determination of Net OPEB Obligation			
Annual Required Contribution			
Interest on Prior Year Net OPEB Obligation			
Adjustment to ARC			
Annual OPEB Cost			
Less Contributions Made			
Increase in Net OPEB Obligation			
Net OPEB Obligation – End of Year			

The District's annual OPEB costs, the percentage of OPEB costs contributed to the plan, and the net OPEB obligations for 20XX were as follows:

	Annual OPEB Cost	**Percentage of OPEB Cost Contributed**	**Net OPEB Obligation**
8/31/XV			
8/31/XW			
8/31/XX			

Funded Status and Funding Progress

As of August 31, 20XX, the most recent actuarial valuation date, the plan was *x* percent funded. The accrued liability for benefits was $xxx.x million, and the actuarial value of the assets was $xxx.xx, resulting in a UAAL $xxx.x million.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with part expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplemental information, presents multi-year trend information about whether the actual value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

{Provide information about the estimates used in the last actuarial valuation.}

The UAAL is being amortized on a closed, level percentage of projected payroll method at the assumed discount rate. The remaining amortization period at August 31, 20XX, was XX years.

For further information on the results of the actuarial valuation of the employer provided subsidies associated with the state's PEBB plan, refer to: http://osa.leg.wa.gov/Actuarial_services/OPEB/OPEB.htm. The plan does not issue a separate report; however, additional information is included in the state of Washington's CAFR, which is available at http://www.ofm.wa.gov/CAFR.

NOTE 8: DEBT SERVICE REQUIREMENTS TO MATURITY

Year Ending	UTGO Bonds		
August 31,	Principal	Interest	Total
20XY	xx,xxx,xxx	xx,xxx,xxx	xx,xxx,xxx
…	…	…	…
TOTAL	$xxx,xxx,xxx	$xxx,xxx,xxx	$xxx,xxx,xxx

NOTE 9: COMMITMENTS UNDER NONCAPITALIZED (OPERATING) LEASES

The District is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore, the results of the lease agreements are not reflected in the District's financial statements. The following is a schedule by years of future minimum rental payments required under operating leases with initial or remaining non-cancellable lease terms of one year or more as of August 31, 20XX:

Year Ending	Amount
8/31/XX	$xxx,xxx
8/31/XY	$xxx,xxx
…	…
TOTAL	$x,xxx,xxx

NOTE 10: CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS, INCLUDING ENCUMBRANCES, IF APPROPRIATE

Construction in progress is composed of:

Project	Project Authorization Amount	Expended as of 8/31/XX	Additional Local Funds Committed	Additional State Funds Committed
Total				

Encumbrances⑤

Encumbrance accounting is employed in governmental funds. Purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve a portion of the applicable appropriation. Encumbrances lapse at the end of the fiscal year and may be re-encumbered the following year. The following encumbrance amounts were re-encumbered by fund on September 1, 20XX:

Fund	Amount
General	$xx,xxx
ASB Fund	$xx,xxx
Capital Projects Fund	$xx,xxx
Transportation Vehicle Fund	$xx,xxx

*(The district does not use encumbrance accounting.)*②

NOTE 11: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS

The District's capital assets are insured in the amount of $__________ for fiscal year 20XX⑥. In the opinion of the District's insurance consultant, the amount is sufficient to adequately fund replacement of the District's assets.

(Districts leasing capital assets to outside organizations are to make lessor capital lease disclosures as follows:

a. General description of the lease equipment and property.
b. Nature and extent of leases with related parties.
c. Future minimum lease payments to be received on capital leases in total and yearly for the next five years.
d. Portion of future minimum lease payments representing imputed interest and other costs.
e. Allowance for uncollectible lease payments.
f. Unguarded residual value accruing to the District's benefit.
g. Unearned revenue.
h. Amount of unearned revenue to offset initial direct costs charged against revenue.
i. Contingent rental included in revenue.

Lessor operating lease disclosures are as follows:

a. Cost and carrying value (if different) of capital assets by major class subject to leases and total related accumulated depreciation.
b. Future minimum rental on non-cancelable leases in total and for each of the next five years.
c. Contingent rental included in revenue.)②

NOTE 12: REQUIRED DISCLOSURES ABOUT LONG-TERM LIABILITIES

Long-Term Debt

(Describe bond issues: Amount issued, date of issue, annual redemption, interest rate and amount outstanding at August 31. This should total to the amount of long-term debt.)

Bonds payable at August 31, 20XX, are comprised of the following individual issues:

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Interest Rate(s)	Amount Outstanding
General Obligation Bonds					
Total General Obligation Bonds					

(Prepare the following schedule to include information for two years if these notes are to be included in a two-year audit report.)

The following is a summary of general obligation long-term debt transactions of the District for the fiscal year(s) ended August 31, 20XX:

Long-Term Debt Payable at 9/1/20XW	
New Issues	
Debt Retired	
Long-Term Debt Payable at 8/31/20XX	

The following is a schedule of annual requirements to amortize debt at August 31, 20XX:

(Include as many lines as necessary to report the future minimum payments for each of the five subsequent fiscal years and in five-year increments thereafter. For variable-rate debt, the terms by which the interest rates changed must be disclosed.)

Years Ending August 31	Principal	Interest	Total
20XX			
20XY			
20XZ			
20YA			
20YB			
Total			

At August 31, 20XX, the District had $_______ available in the Debt Service Fund to service the general obligation bonds.

Bonds Authorized But Unissued⑤

(Schedule for bonds authorized but unissued.)

Refunded Debt⑤

(In the year of advance refunding)

(On ________, 20__, the District issued $____ million in general obligation bonds with an average interest rate of ______ percent to advance refund $_____ million of outstanding _____ series bonds with an average interest rate of ____ percent. The net proceeds of $_____ million after payment of $____ million in underwriting fees, insurance, and other issuance costs plus an additional $______ million of ____ series sinking fund moneys were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the ____ series bonds. As a result, the ____ series bonds are considered defeased.

The District advance refunded the _____ series bonds to reduce its total debt service payments over the next ___ years by $_____ million and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $_____ million.)

Cash Flows Difference		
Old Debt Service Cash Flows		
New Debt Service Cash Flows		
Less Accrued Interest In XX/XX/XX Payment		
Plus District Contribution from Sinking Fund Resources		
Total		
Economic Gain		
Present Value of New Debt Service Cash Flows		
Less Accrued Interest Included in XX/XX/XX		
Plus District Contribution from Sinking Fund Resources		
Total		

(In the periods following an advance refunding in which the old debt is still outstanding.)

Short-Term Debt⑤

(Provide details about short-term borrowings from anticipation notes, use of lines of credit, and similar loans during the year even if no short-term debt is outstanding at year-end. Indicate the purpose for the debt issued.)

Short-term debt activity for the year ended August 31, 20XX, was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
(Purpose)				

Prior-Year Defeasance of Debt⑤

In prior years, the District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At August 31, 20XX, $______ million of bonds outstanding were considered defeased.

Sinking Fund®

In 20XX, the District issued $X,XXX,XXX worth of Qualified School Construction Bonds. As a condition of selling the bonds, the District is required to maintain a sinking fund with the *(name of bank -or- County Treasurer)*. The District is required to make regular payments into the sinking fund as shown in the following schedule.

(Sample schedule only. Districts should use any schedules included in their sinking fund agreements and modify this note as necessary.)

	Beginning Balance	Interest Earned Jan 1 – Dec 14	Dec 15 District Contribution	Dec 15 Fund Balance	Interest Earned Dec 15 – Dec 31	Dec 31 Ending Balance	Assumed Earnings Rate	Annual Supplemental Coupon Interest
12/1/XX	$x.xx	$x.xx	$xx.xx	$xx.xx	$xx.xx	$xx.xx	x.xx%	$xx.xx
1/1/XY	xx.xx	xx.xx	xx.xx	xx.xx	xx.xx	xx.xx	x.xx%	xx.xx
1/1/XZ	xx.xx	xx.xx	xx.xx	xx.xx	xx.xx	xx.xx	x.xx%	xx.xx
…	…	…	…	…	…	…	…	…
1/1/YL	xx.xx	xx.xx	xx.xx	xx.xx	xx.xx	xx.xx	x.xx%	xx.xx
		$xxx.xx	$xxx.xx		$xx.xx			$xxx.xx

The balance of the sinking fund as of *(date of last bank statement nearest to fiscal year-end close)* was $xx,xxx.

NOTE 13: INTERFUND BALANCES AND TRANSFERS

The following table depicts interfund loan activity:

Debtor Fund	Due To	Balance at 9/1/XW	Loan Activity		Balance at 8/31/XX
			New Loans	Repayments	
Totals					

The following table depicts interfund transfer activity:❸

Transferred From (Fund) 535 or 536	Transferred To (Fund) 965 9900	Amount	Description

❸*Note 13 – Note to preparer:*
Provide a general description of the principal purpose of the interfund transfer.
Provide a detailed description of the purpose for significant interfund transfers. A transfer is considered significant if it meets either or both of the following criteria:

1. *Does not occur on a routine basis and/or*
2. *It is inconsistent with the activities of the fund making the transfer.*

NOTE 14: ENTITY RISK MANAGEMENT ACTIVITIES

(The following risk management paragraphs pertain to risk management pools and self-insurance. Select the paragraphs that are pertinent to your district and adjust them as necessary.)

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

(District participates in an insurance pool.)

In (month and year)②, the District joined together with other school districts in the state to form (name of risk pool), a public entity risk pool currently operating as a common risk management and insurance program for (unemployment insurance, unemployment compensation)②. The District pays an annual premium to the pool for its general insurance coverage. The agreement for formation of the (name of risk pool)② provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of $_______ for each insured event.

*(District buys commercial insurance.)*⑤

The District continues to carry commercial insurance for all other risks of loss, including (description of insurance)②. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

*(District is self-insured.)*⑤

Beginning in (month and year)②, the District began covering all (claim settlements, judgments)② out of its General Fund. The District currently reports (all, some)② of its risk management activities in its General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not recorded.

At August 31, 20XX, the amount of liabilities totaled $____________. This liability is the District's best estimate based on available information. Changes in the reported liability since August 31, 20XX, resulted in the following:

	9/1/20XW Liability	Current Year Claims and Changes in Estimates	Claim Payments	8/31/20XX Balance
(Prior Year)				
(Current Year)				

(Included in the August 31, 20XX, balance are claims of $_______, representing losses for which the lowest amount in a range of probable losses has been accrued because no amount with that range is a better estimate of loss. The District estimates that those losses could be as high as $______.)⑤

At August 31, 20XX, General Fund investments of $_______ were held for purposes of funding the District's future claims liabilities. As a result, $________ of General Fund balance is considered Restricted for payment of future claim liabilities.

NOTE 15: PROPERTY TAXES

Property tax revenues are collected as the result of special levies passed by the voters in the District. Per Revised Code of Washington 84.06.020 the tax assessment date is January 1 of the calendar year of collection. The tax lien date is January 1 of the year of collection and taxes receivable are recognized as of that date. Current year taxes are due in full as of April 30, and are delinquent after that date. However, without incurring penalty, the taxpayer may elect to pay one-half of the taxes due by April 30, with the remaining one-half taxes due October 31, and are delinquent after that date. Typically, a little more than half of the taxes due are collected on the April 30 date. In governmental fund financial statements, property tax revenue which is measurable but not available (taxes that are not expected to be collected within 60 days after the current period) is recorded as a receivable and unearned revenue. In government-wide financial statements, property tax revenue, net of estimated uncollectible property taxes, is accrued at year-end.

NOTE 16: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

(Operation of a proportionally larger cooperative program to transport the District's students and those of _____ neighboring districts are included in these financial statements. For fiscal year 20XX, these cooperative revenues totaled $_______, as compared to the preceding year's revenues of $_______. Expenditures related to the cooperative totaled $________, as compared to the preceding year's expenditures of $__________.)

(The District is a member of the King County Director's Association (KCDA). KCDA is a purchasing cooperative designed to pool the member districts' purchasing power. The board authorized joining the association by passing Resolution ______ dated _________, 20__, and has remained in the joint venture ever since. The District's current equity of $_________ is the accumulation of the annual assignment of KCDA's operating surplus based upon the percentage derived from KCDA's total sales to the District compared to all other districts applied against paid administrative fees. The District may withdraw from the joint venture and will receive its equity in ten annual allocations of merchandise or 15 annual payments.)

NOTE 17: FUND BALANCE CLASSIFICATION DETAILS

The District's financial statements include the following amounts presented in the aggregate.⑤

	General Fund	ASB Fund	Capital Projects Fund	Debt Service Fund	Transportation Vehicle Fund
Nonspendable Fund Balance					
Inventory and Prepaid Items	$xx,xxx	$xx,xxx			
Restricted Fund Balance					
For Other Items	$xx,xxx	$xx,xxx	$xx,xxx	$xx,xxx	$xx,xxx
For Fund Purpose		$xx,xxx			$xx,xxx
Carryover of Restricted Revenues	$xx,xxx				
For Skill Centers	$xx,xxx		$xx,xxx		
For Carryover of Food Service Revenue	$xx,xxx				
Debt Service	$xx,xxx		$xx,xxx		$xx,xxx
Arbitrage Rebate	$xx,xxx		$xx,xxx	$xx,xxx	$xx,xxx
For Self-Insurance	$xx,xxx				
Uninsured Risks	$xx,xxx	$xx,xxx	$xx,xxx		$xx,xxx
Committed Fund Balance					
For Economic Stabilization	$xx,xxx				
Other Commitments	$xx,xxx	$xx,xxx	$xx,xxx	$xx,xxx	$xx,xxx
Assigned Fund Balance					
Contingencies	$xx,xxx				
Encumbrances	$xx,xxx				
Other Capital Projects	$xx,xxx				
Other Purposes	$xx,xxx				
Fund Purposes		$xx,xxx	$xx,xxx	$xx,xxx	$xx,xxx
Unassigned Fund Balance	$xx,xxx				

In addition, the Capital Projects Fund has the following amounts in Restricted and Committed Fund Balance, based on the source of the revenues:

Restricted from Bond Proceeds	$xx,xxx
Committed from Levy Proceeds	$xx,xxx
Restricted from State Proceeds	$xx,xxx
Restricted from Federal Proceeds	$xx,xxx
Restricted from Other Proceeds	$xx,xxx
Restricted from Impact Fee Proceeds	$xx,xxx
Restricted from Mitigation Fee Proceeds	$xx,xxx
Restricted from Undistributed Proceeds	$xx,xxx

(On {date}, the board of directors took an action to commit a portion of the District's ending fund balance towards {describe the reason for the commitment}. The amount of fund balance that has been set aside may only be used for that purpose. It cannot be used for any other purpose of the District.)

*(The board of directors has established a minimum fund balance policy for the general fund to provide for financial stability and contingencies within the District. The policy is that the District shall maintain (describe the policy, such as a percentage of general fund revenues or expenditures, or a targeted amount). Portions of fund balance that are set aside for the purpose of meeting this policy are recorded on the financial statements as a part of Unassigned fund balance.)*②

NOTE 18: POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS—BOTH IN SEPARATELY ISSUED PLAN FINANCIAL STATEMENTS AND EMPLOYER STATEMENTS

457 Plan – Deferred Compensation Plan

(District employees have the option of participating in a deferred compensation plan as defined in §457 of the Internal Revenue Code that is administered by the state deferred compensation plan, or the District.)

403(b) Plan – Tax Sheltered Annuity (TSA)

The District offers a tax deferred annuity plan for its employees. The plan permits participants to defer a portion of their salary until future years under two types of deferrals: elective deferrals (employee contribution) and non-elective contribution (employer matching).

The District complies with IRS regulation that require school districts to have a written plan to include participating investment companies, types of investments, loans, transfers, and various requirements. The plan is administered by {a third party administrator/the district}. The plan assets are assets of the District employees, not the school district, and are therefore not reflected on these financial statements. {For the year ended August 31, 20XX, the District made $XX,XXX in {discretionary and/or matching} employer contributions to the plan.}

(Any liability for unfunded compensation plans should include all deferred amounts, including accrued interest, and should be reported as a liability of the salary-paying fund (1) to show the District's contractual commitment to the employees and (2) to recognize compensation and interest expenditure at the time the deferred compensation is earned or the interest is incurred.)②

NOTE 19: TERMINATION BENEFITS

Compensated Absences

Employees earn sick leave at a rate of ____ days per year up to a maximum of one contract year.

Under the provisions of RCW 28A.400.210, sick leave accumulated by District employees is reimbursed at death or retirement at the rate of one day for each four days of accrued leave, limited to 180 accrued days. This chapter also provides for an annual buyout of an amount up to the maximum annual accumulation of 12 days. For buyout purposes, employees may accumulate such leave to a maximum of 192 days, including the annual accumulation, as of December 31 of each year.

These expenditures are recorded when paid, except termination sick leave that is accrued upon death, retirement, or upon termination provided the employee is at least 55 years of age and has sufficient years of service. Vested sick leave was computed using the {termination payment method/vesting method}.

(Vacation pay, including benefits, that is expected to be liquidated with expendable available financial resources is reported as expenditures and a fund liability of the governmental fund that will pay it.)②

(No unrecorded liability exists for other employee benefits.)②

(Employees earn sick leave at a rate of ____ days per year up to a maximum of one contract year. The District has not adopted the buyout provisions for sick leave as authorized under RCW 28A.400.210. As such, no liability exists for buyout of sick leave.)②

NOTE 20: CONDITIONS AND EVENTS GIVING RISE TO SUBSTANTIAL DOUBT ABOUT THE GOVERNMENT'S ABILITY TO CONTINUE AS A GOING CONCERN

Starting on {month and year}, the District was placed onto binding conditions with the state pursuant to RCW 28A.505.110. Under binding conditions, the District is required to work with an administrator to help the District get back on solid financial footing. The administrator for the District's binding conditions is {name and contact information}. (Include information pertaining to the binding conditions. If this is not the first year of binding conditions, include information describing progress made towards exiting binding conditions.)

{If there are other conditions other than binding conditions that give doubt as to the district's ability to operate as a going concern, it should be disclosed here. Such disclosures should include the following: 1) Pertinent conditions and events giving rise to the assessment of substantial doubt about the government's ability to continue as a going concern for a reasonable period of time, 2) The possible effects of such conditions and events, 3) Government officials' evaluation of the significance of those conditions and events and any mitigating factors, 4) Possible discontinuance of operations, 5) Government officials' plans, 6) Information about the recoverability or classification of recorded asset amounts or the amounts or classification of liabilities.}

NOTE 21: OTHER DISCLOSURES

Self-Insurance—Security Deposit⑤

(The money that the District places in escrow as a condition of self-insuring with the Washington State Department of Labor and Industries is reported in this account. As of August 31, 20XX, the District self-insurance security deposit balance was $_______.)

(Skill Center Core Campus Note)⑤

The District is the host district for the ___________ Skill Center, a regional program designed to provide career and technical education opportunities to students in participating districts. The purpose of a Skill Center is to enhance the career and technical education course offerings among districts by avoiding unnecessary duplication of courses.

The ______ Skill Center was created through an agreement of the ______ member districts. The Skill Center is governed by an Administrative Council, comprised of the superintendents, or their appointed representatives, of each member district. The Skill Center administration is handled through a director, employed by the District.

As host district, the District has the following responsibilities:

1. Employ staff of the Skill Center.
2. Act as fiscal agent for the Skill Center and maintain separate accounts and fund balances for each fund.
3. Review and adopt the Skill Center budget as a part of the District's overall budget.
4. Provide such services as may be mutually agreed upon by the District and the Skill Center.

Sources of Funding

The Skill Center is primarily funded by state apportionment, based on the number of students who attend the Skill Center. Other sources of income include federal grants from the Carl D. Perkins program, tuition and fees, and payments from member districts.

Capital Improvements

The District collects an annual fee from all participating districts for the Capital Projects Maintenance Fund. These funds are used to for the maintenance and related capital improvements of Skill Center facilities. Fees are collected from each member district in accordance with the interlocal agreement signed by all member districts. Any amounts collected that have not been expended for capital purposes are recorded as a restriction of the District's Capital Projects Fund balance.

Unspent Funds

Any funds remaining at the end of the year from Skill Center operations are recorded as a restriction of the District's General Fund balance, and are to be used for financing future operations of the Skills Center. Member districts do not have claim to any unspent funds of the Skill Center.

The following districts are member districts of the Skill Center: {list member districts here}.

In addition, the {name of other district} School District operates a Branch Campus of the ________ Skill Center. As a Branch Campus, the district is allowed to claim its own students and receive direct Skill Center funding for those students.

The statements of that district reflect the portion of total Skill Center operations that pertain to the operation of the Branch Campus alone.
The {name of other district} School District operates a Satellite Campus of the ________ Skill Center. A Satellite Campus is not eligible to claim those students who attend for purposes of receiving direct funding from the state. The _____ District is required to provide the staffing for the Satellite Campus programs. As the fiscal agent for the Skill Center, the {host} district reimburses the satellite district for their costs through the interlocal agreement.

(Skill Center Branch Campus Note (if material in nature))⑤

The District operates a Branch Campus of the __________ Skill Center, hosted by the _______ District. A Skill Center is a regional cooperative program designed to enhance the learning opportunities for career and technical education for students of participating districts by avoiding unnecessary duplication of course offerings and allowing students from many districts to participate.

The Skill Center was created by an agreement of _______ member districts. The Skill Center is governed by an Administrative Council, comprised of the superintendents of all member districts, or their appointed representatives. The administration of the Skill Center is handled by a director, employed by the {host} District.

A Branch Campus is an extension of the Skill Center core campus located within the {host} District. A Branch Campus provides three or more career and technical education programs at a location separate from the Core Campus, but is still governed by the Administrative Council that oversees the Skill Center. Branch campuses report their own enrollment, separate from the Core Campus, and receive direct apportionment funding as if they were a Core Campus.

(Skill Center Satellite Campus Note (if material in nature))⑤

The District operates a Satellite Campus of the __________ Skill Center, hosted by the _________ School District. A Skill Center is a regional cooperative program, designed to enhance the availability and offering of career and technical education programs by avoiding unnecessary duplication of course offerings and allowing for participation from multiple districts.

The _______ Skill Center was created by an agreement of _________ member districts. In the agreement, the _______ School District is designated as the host district and fiscal agent for the Skill Center, responsible for accounting and fiscal matters relating to the Skill Center. The Skill Center is governed by an Administrative Council, comprised of the superintendents of all participating districts, or their assigned representative. Administration of the Skill Center is handled through a director, who is an employee of the {host} District.

A Satellite Campus is considered an extension of the Skill Center Core Campus. Satellite campuses do not report enrollment apart from the Core Campus, and so do not receive apportionment funding directly from the state. The District is responsible for hiring the teachers who will work on the Satellite Campus program(s), but as the District does not receive direct state funding, it requires that the Core Campus reimburse the District for the cost of the instructor(s).

INSTRUCTIONS

①Notes to the Financial Statements are neither all-inclusive nor intended to replace professional judgment in determining disclosure necessary for fair presentation in the circumstances. Notes to financial statements should not be cluttered with unnecessary and immaterial disclosures. Materiality and particular circumstances must be considered in assessing the propriety of the notes to financial statements. Notes to financial statements provide necessary disclosure of material items, the omission of which would cause the financial statements to be misleading. If any of the Notes do not apply to the district, they may be deleted. Districts should renumber the Notes in accordance with their final layout.

②Use the material in parentheses if appropriate; otherwise delete it.

③Reference to expenses is appropriate only if the district has a nonexpendable trust fund accounted for using the full accrual basis of accounting.

④Reference to fiduciary funds is appropriate only if the district has a private-purpose trust, a pension (or other employee benefit) trust, and/or an agency fund.

⑤This note is appropriate only if the district has the particular circumstance; e.g., changes in long-term debt are shown only if the district has long-term debt; changes in capital assets are shown only if the district accounts for the capital assets, etc.

⑥Notes to the Financial Statements are an integral part of the financial statements. Notes must be prepared on a timely basis. For smaller school districts that are audited by the State Auditor's Office on a two-year cycle, information should be included for both years being examined. For the notes that will be included in the two-year audit report, include the information in parentheses.

⑦The district should choose Format Option #1 or Format Option #2, depending on the circumstance. Format #1 should be used where all (during the entire year) of the district's investments are insured or registered and held in the district or in the district's name by its agent. Otherwise, Format #2 should be used.

⑧If the district has any investment during the year, which is not fully insured, registered, or held in the name of the district, extensive additional disclosure is required. Reference to disclosure requirements published in GASB Statement No. 3 is necessary.

⑨If another valuation method is used, adjust the note accordingly and explain the impact on the financial statements.

⑩This sentence is appropriate if the district has a reserve for inventory.

❶Prepare this note only if some leases are not capitalized. (Payments on capitalized leases are included in the note CHANGES IN LONG-TERM DEBT as debt service.)

❷OSPI will update the rates and participant information used in this Note on an annual basis, when the information is received from the Department of Retirement Systems. The updated information will be available on the Accounting Manual web page on the SAFS website when ready. Districts should use that information when preparing their Notes.

❸Note 13 – Note to preparer:
Provide a general description of the principal purpose of the interfund transfer.
Provide a detailed description of the purpose for significant interfund transfers. A transfer is considered significant if it meets either or both of the following criteria:

1. *Does not occur on a routine basis and/or*
2. *It is inconsistent with the activities of the fund making the transfer.*