**Educational Service Districts**

**Suggested Notes to the Financial Statements**

**Effective for Fiscal Year 2023**

The suggested notes in this template were developed by the Educational Service Districts (ESD) in conjunction with the accounting and reporting oversight of Washington Office of the Superintendent of Public Instruction (OSPI) and the Office of the Washington State Auditor.

The suggested notes represent the general operating assumptions of the ESDs. ESDs should evaluate the notes for applicability to their individual ESD’s operations. Should the facts and circumstances of an ESD operation differ from the general and overall operations of an ESD as expressed in the suggested notes, it would be expected that the notes would be amended to include required additional disclosures.

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# SUGGESTED NOTES TO THE FINANCIAL STATEMENTS

The Notes to the Financial Statements are essential in explaining significant accounting policies and circumstances that affect the ESD’s financial position and results of operations.

Notes in financial reporting are the responsibility of the ESD, not the auditor, and accordingly are subject to audit as an integral part of the financial statements. It is the ESD’s responsibility to ensure that the notes presented in their annual report are adequate. Notes presented in this manual are considered the minimum requirement for annual reporting. They are not considered all-inclusive and additional disclosures may need to be added depending on the ESDs specific circumstances.

The following pages contain sample text provided for each note disclosure and is meant to help ESDs write the notes to their financial statements.

The Notes to the Financial Statements are intended to communicate information necessary for a fair presentation of financial position and results of operations that are not readily apparent from, or cannot be included in, the financial statements themselves. The notes are therefore an integral part of the financial statements.

* When preparing Notes to the Financial Statements, delete the notes that do not apply and add others needed for readers to understand the financial statements.
* Notes should not include irrelevant, obsolete, trivial or superfluous information. For example, ESDs should refrain from negative disclosure (stating that a potential disclosure is inapplicable, such as “there were no subsequent events requiring disclosure”).
* Note disclosures should be expressed as clearly and simply as possible and include explanations as necessary to ensure it is understandable by users. However, this does not mean that disclosures should avoid precise technical terms or omit or abridge information that may be complicated or difficult to understand.
* The notes to the financial statements can be presented in any format including: narrative; tables; schedules; and matrices, as long as they contain the required information.
* Include heading for the notes, including headers and footers for following pages.

The following are consistent with the F-185 Headings:

* + Educational Service District No. xxx

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 1, 20XX THROUGH AUGUST 31, 20XY

Example Header for subsequent pages:

* Educational Service District No. xxx

NOTES TO 20XX–20XY FINANCIAL STATEMENTS

Page x

# Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Educational Service District No. [xxx] (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The accounting practices of the District are implemented under the oversight authority of Washington Office of Superintendent of Public Instruction (OSPI), as published annually in the *Accounting Manual for Educational Service Districts*. The following summary of the more significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies should be viewed as an integral part of the accompanying financial statements.

## Reporting Entity

The District is one of nine educational service districts organized as political subdivisions of the state of Washington pursuant to Title 28A Revised Code of Washington (RCW) for the purpose of (1) providing cooperative and informational services to local school districts; (2) assisting OSPI and the Washington State Board of Education in the performance of their respective statutory or constitutional duties; and (3) providing services to school districts to assure equal educational opportunities.

The District serves *[#]* school districts in *[insert counties served]* counties. Oversight responsibility for the District's operations is vested with the Board of Directors elected by the school directors of member districts. Management of the District is appointed by and accountable to the Board of Directors. Fiscal responsibility, including budget authority, the power to operate cooperatives, set fees for services, and issue debt consistent with the provisions of state statutes, rests with the Board. For financial reporting purposes, the District’s financial statements include all fund entities that are controlled by the District's Board of Directors and managed by the administrative staff, unless noted hereafter.

*[NOTE: If your ESD wishes to include specific information regarding mission, priorities, etc. the paragraph above would be an appropriate place to insert the comments, after the first sentence. Possibly start a new paragraph after the inserted comments starting with “Oversight responsibility….”]*

The District is a separate legal entity and is fiscally independent from all other units of government. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. Management has reviewed operations and based on the standards set by Governmental Accounting Standards Board (GASB), there were no component units of the District.

*[If there are component units, very briefly describe/list, their relationship with the District and the method of presentation (blended, discretely presented or fiduciary) and then refer to the appropriate footnote by reference for further information and discussion.]*

## Basis of Accounting and Reporting

The financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The activities of the District rely significantly on fees and charges for support and are reported as enterprise funds. The District reports the following major enterprise funds:

The *Operating* *Fund* is the District’s primary fund. It accounts for all financial resources of the District that are not reported in the following funds.

The *Unemployment Insurance* *Fund* accounts for the collection of premiums from members of the fund and the related payment of associated claims and expenses. *[Further description of the fund summarized from Note 10 may be added here if desired, including direct reference to Note 10.]*

The *Property and Casualty Risk Management Insurance* *Fund* accounts for premiums collected from members and set aside for the payment of deductibles on member property and casualty insurance claims. *[Further description of the fund summarized from Note 10 may be added here if desired, including direct reference to Note 10.]*

The *Workers' Compensation* *Insurance* *Fund* accounts for workers' compensation payroll taxes collected from members, and the payment of associated claims, assessments, and expenses. [*Further description of the fund summarized from Note 10 may be added here if desired, including reference to Note 10.]*

[*Insert additional fund descriptions where applicable*.]

## Fiduciary Funds

*[NOTE: If the District is handling trust funds, list and refer to BARS guidance for that type of fund disclosure.]*

The District reports the following custodial funds, which are used to account for assets held and administered by the District in a fiduciary capacity:

The *Compensated Absences Pool* custodial type fundaccounts for assets held and administered by the District to provide a funding mechanism for members to pay for the cash-out of liabilities for compensated absences when employees of member districts leave service or retire. See Note 12 for more information.

*[ESD 123 Only*] The *Washington Information Processing Cooperative (WSIPC)* custodial type fund accounts for assets held at the Franklin County Treasurer in the District and WSIPC’s names, jointly, to operate the joint venture on behalf of the members of the cooperative.

*[Insert additional fund descriptions where applicable. Component units that are fiduciary in nature should be presented within the fund type columns with the fiduciary funds of the primary government. A separate column for fiduciary component units should not be presented. See* [*BARS Fiduciary Funds Financial Statements*](https://sao.wa.gov/bars_gaap/reporting/fund-financial-statements/fiduciary-funds-financial-statements/) *]*

## Budget

Educational service districts in the state of Washington are required to adopt a budget for their Operating Fund, using the same basis of accounting as for financial statement presentation. An appropriation is an authorization for the District to incur expenses in the amounts specified in the District’s budget for the fiscal year. An annual appropriated budget is adopted for the Operating Fund on the accrual basis of accounting as set forth in RCW 28A.310.330 and WAC 392-125-030, with approval by OSPI.

The approved budget constitutes the legal authority for expenses. Management is authorized to transfer budgeted amounts between departments, within fund object classes and/or within activity codes; expenses may not exceed the total approved expense budget without adopting a revised budget and gaining formal approval from OSPI.

Expense budgets for other enterprise funds are adopted at the fund level and not subject to formal approval processes.

## Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position

*[NOTE: Include detailed explanations of policies regarding the net position classification items. Required disclosures for cash and cash equivalents, valuation bases for some assets (investments for example), capitalization policy information, explanation of deferred outflows/deferred inflows of resources, net position ending balances, and significant or unusual accounting treatments for material account balances or transactions.*

***Include only the categories that are reported on Statement of Net Position, ensuring the sub-headers listed below match the titled line items on the Statement****.]*

### Cash and Cash Equivalents, Deposits and Investments – See Note 2

For the purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) to be cash and cash equivalents. Investments held by the [*County Treasurer*] are considered highly liquid as they are accessible on a daily basis, equivalent to a cash account.

### Receivables

Accounts and contracts receivable represent the value of goods and services provided and invoiced to clients as of fiscal year-end. The amounts represent balances due from clients, generally within thirty days of invoice dates.

All receivables are shown net of an allowance for uncollectible balances. Uncollectible accounts are evaluated for write-off on an annual basis.

### Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

### Inventory

Inventory balances consist of expendable supplies held for consumption by operating activities in future fiscal periods. The cost is recorded as an expense at the time inventory items are consumed. The District does not maintain material amounts of inventory. Inventories are valued by the [FIFO/LIFO/weighted average] method (which approximates the market value).

### Capital Assets and Depreciation

Capital assets, which include property, facilities, and equipment, are reported in the Operating Fund and capitalized at total acquisition cost, provided such cost exceeds $xx,xxx and the asset has an expected useful life of more than X years. Property, facilities, and equipment that are purchased using Federal money are subject to records maintenance if the acquisition cost is over $5,000. Donated capital assets are recorded at acquisition value at the date of donation.

*[NOTE: If your threshold is adjusted, you should disclose the change. For example, “Prior to [date], OR from [date] to [date], the capitalization threshold was established by Board policy at $xx,xxx.]*

Depreciation is recorded on all depreciable capital assets on a straight-line basis over the following estimated useful lives, based on the month placed in service:

| Asset | Years |
| --- | --- |
| Vehicles | 5–10 |
| Equipment | 5–20 |
| Buildings and structures | 10–40 |
| Land improvements | 5–40 |

*[Useful lives used by the District may vary from this table and should be adjusted as appropriate.]*

Major expenses for capital assets, including major repairs that increase the effectiveness or efficiency of the asset are capitalized. Assets under the capitalization threshold, maintenance, repairs, and minor renewals are accounted for as expenses when incurred.

See Note 3 for further information on capital assets and depreciation.

### Intangible Right-to-Use Leased Assets

The District follows generally accepted accounting principles in its treatment of leased assets. Leasing agreements are evaluated regarding the lease term, payments, and discount rates as well as materiality to the District’s financial position. The District’s capitalization threshold for recognition of intangible right-to-use leased assets is $\_\_\_\_\_\_\_\_\_\_\_\_\_. Leasing arrangements that are considered short term under generally accepted accounting principles or do not meet capitalization thresholds are treated as operating expenses in the current year. See Note 6 for further information on intangible right-to-use leased assets.

### Other Assets

*[No sample text provided. This section can be used to describe other material asset categories not covered in the notes.]*

### Compensated Absences

Employees earn vacation leave at varying rates in accordance with District policy. Accrued but unused vacation leave is payable upon termination or death, limited to 240 hours.

Employees earn sick leave at a rate of up to 12 days per year and may accumulate an unlimited sick leave balance. Under the provisions of RCW 28A.400.210, sick leave accumulated by District employees is paid at death or retirement at the rate of 1 day for each 4 days of accrued leave, limited to 180 accrued days. This chapter also provides for an annual buy-back of an amount up to the maximum annual accumulation of 12 days. For buy-back purposes, employees may accumulate such leave to a maximum of 192 days, including annual accumulation, as of December 31 of each year.

*[NOTE: Each ESD should review this paragraph to ensure that the listed days, etc. Agree with internal policies and procedures; adjust as appropriate.]*

The balance reported in the Statement of Net Position as of August 31, 20CY, represents the aggregate amount of vacation and sick leave payable for all eligible employees of the District. Changes to estimated liabilities for sick and vacation leave balances for employees working in enterprise funds are charged as current expense to those funds. *[NOTE: Delete last sentence if your ESD does not allocate to enterprise funds due to immateriality or otherwise edit if other interfund method for recording leave liabilities is used.]*

*[If the District participates in a Compensated Absences Pool held for school districts, their liability should be reported in the Operating Fund and not the Pool. The District’s balance is reported on the face of the financials but could further be mentioned here in this note if clarification is desired:* The District’s liability for compensated absences is reported in the Operating Fund. As of August 31, 20CY, the District’s total compensated absence balance was $\_\_\_\_\_\_\_\_\_\_\_\_\_.*]*

### Other Accrued Liabilities

*[Section title should match the title on the Statement of Net Position. Wording should provide detailed information on what is included in the category, if applicable; otherwise, delete.]*

### Deposits

*[Wording is dependent on circumstances of deposits; often tied to lease arrangements.]*

### Unearned Revenue

Unearned revenue consists of balances acquired by the District from grant awards in advance of meeting eligibility requirements. Revenue is reported as earned upon meeting eligibility requirements. Eligibility requirements for balances reported as unearned revenue are expected to be satisfied within 12–18 months.

### Other Liabilities

*[No sample text provided. This section can be used to describe other material amounts reported in this category on the Statement of Net Position.]*

### Deferred Outflows and Deferred Inflows

Generally accepted accounting principles for pensions (see Note 7) require the District to recognize deferred inflows and outflows on the Statement of Net Position related to the District’s proportionate share of the Washington State Department of Retirement System’s deferred income or expense items, to be recognized over a number of years, for changes in experience, assumptions, proportion, contributions, and investment earnings. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Generally accepted accounting principles for other post-retirement employee benefits (OPEB) (see Note 8) require the District to recognize deferred inflows and outflows on the Statement of Net Position related to the single-employer plan administered by the Washington State Health Care Authority, to be recognized over several years, for changes in experience, assumptions, and timing of contributions.

*[Refer to BARS Manual Accounting/ Notes/ Note 1, Section E for potential further disclosure items that may be unique to your district and not addressed in the template above.* <https://sao.wa.gov/bars-annual-filing/bars-gaap-manual/reporting/notes-financial-statements/note-1-summary-significant-accounting-policies> *]*

### Net Position

The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Consistent with generally accepted accounting principles, net position is displayed in the following three categories which focus on the accessibility of the underlying assets: (1) Net Investment in Capital Assets, (2) Restricted Net Position, and (3) Unrestricted Net Position.

*Net Investment in Capital Assets*

Consists of capital assets, including restricted capital assets, if any, net of accumulated depreciation and outstanding debt attributable to the acquisition, construction, or improvement of capital assets.

*Restricted Net Position*

Funds subject to externally imposed restrictions which may not be removed without the consent of those imposing the restrictions.  Major categories of restricted net position are listed in Note 11.

*Unrestricted Net Position*

Funds that do not meet the definition of either of the first components above.  Management or the Board of the District may designate resources for specific purposes, however, this represents an internal commitment that may be changed or removed and is therefore not considered a restriction under generally accepted accounting principles.

*[Note to Preparer:  If the District wishes to disclose internal commitments, it may be done in Note 11- Net Position. This is recommended for Districts with negative unrestricted net positions due to implementation of pension and OPEB reporting requirements to address the negative net position   Refer to BARS Manual*[*Note 1 Summary of Significant Accounting Policies, footnote [11]*](https://sao.wa.gov/bars_gaap/reporting/notes-to-financial-statements/note-1-%E2%80%91-summary-of-significant-accounting-policies/)]

*Net Position Classification*

It is the District’s general practice to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

## Operating and Nonoperating Revenues and Expenses

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund’s principle ongoing operations, including:

* Revenue from those who purchase, use, or directly benefit from the goods or services of the program;
* Revenue from other governments, entities, and individuals, if such revenue is restricted to a specific program or programs;
* Interest earnings on restricted program funds if required by funding agreement;
* Current year pension expense (see Note 7); and
* Current year OPEB expense (see Note 8).

Under these guidelines, program-specific operating grants and contributions are presented as operating revenue.

Operating expenses include the cost of providing services, administrative expenses, and depreciation on capital assets.

Nonoperating revenues and expenses include interest earnings on investments not restricted to program benefit, interest expense on debt, other asset and financing activities including grants used to finance operations and expenses not related to the provision of District services, gain or loss on the sale of assets, and changes from investments in joint ventures. *[add to listing as appropriate.]*

*[Changes in joint ventures may be recorded as operating or non-operating revenue.* *Refer to BARS GAAP Manual on SAO website for further guidance on Joint Ventures under Accounting/Assets/Joint Ventures.* <https://sao.wa.gov/bars_gaap/accounting/assets/joint-ventures/> ]

## Pensions

For purposes of measuring the net pension asset, liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans’ fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, 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 purposes of calculating the restricted net position related to the net pension asset, the District includes the *[net pension asset only/net pension asset and the related deferred outflows and deferred inflows/net pension asset and related deferred inflows]*.

***Note to the Preparer****: Choose (consistently) one of the three methods of calculation if the District reports a Net Pension Asset. Please see* [*BARS Section 3.4.2.63 Pensions*](https://sao.wa.gov/bars_gaap/accounting/liabilities/pensions-application-of-gasb-statement-68-accounting-and-financial-reporting-for-pensions/) *for instructions on how to calculate the Restricted Net Position related to the net pension assets.*

## Accounting and Reporting Changes

***Note to the Preparer****: If there have been any changes in accounting policies or reporting, briefly describe here and reference notes where further detail disclosures are made (i.e., Note 17). Examples include but are not limited to: implementing provisions of a GASB Statement that modifies elements of the financial statements. Delete this section if there are none.*

***Note to the Preparer FY23:*** *If implementation of GASB96 SBITA or GASB 94 PPP/APA resulted in a significant change in reporting for the District, it should be addressed here. If not, District can omit from discussion OR add comment such as “The District implemented GASB Statement No. 96 SBITA for the fiscal year ended August 31, 2023, with no significant impact on financial position or reporting.*

# Note 2: CASH, CASH EQUIVALENTS, AND INVESTMENTS

All of the District’s bank balances are insured by the Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

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 PDPC to hold public deposits and has segregated eligible collateral having a value of not less than its maximum liability.

*[****NOTE****: some ESD’s participate in the LGIP through their County Investment Pool. No ESD’s participate directly in the LGIP. Do not include disclosure regarding LGIP investments carried over from old notes. Use the wording provided below.]*

 ***[****Drafting suggestion****:*** *Consider using acronym for the \_\_\_\_\_\_\_\_\_\_\_\_\_\_County Investment Pool and then replace throughout in place of the Pool; shortens the notes in this section and is a more efficient presentation. For example, Clark County Treasurer Investment Pool (CCTIP).****]***

The office of the *[name]* County Treasurer is the ex-officio treasurer for the District. The District is a participant in the [*county name]* Investment Pool, an external investment pool managed and operated by the Office of the *[name*] County Treasurer under authority of RCW 36.29, which authorizes county treasurers to invest funds of participants. In this capacity, the *[name*] County Treasurer receives daily/weekly deposits and transacts investments on behalf of the District and invests all temporary cash surpluses. Interest on these investments is prorated to various funds by the *[name]* County Treasurer based on segregated balance records.

The [*county name]* Investment Pool’s investment policy is established in accordance with RCW 36.48.070. The [*name*] County Treasurer’s investment policy and annual report are available at http://xxxxxx.

*[If there are special conditions or circumstances associated with the County Investment Pool, those may be disclosed here or in the risk paragraphs later in this note, as appropriate.]*

The *County* Investment Pool is an unrated external investment pool. Investments in the Pool are reported at amortized cost, which approximates fair value. The Pool is invested in manner that meets the maturity, quality, diversification and liquidity requirements set forth by generally accepted accounting principles for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. The Pool does not have any legally binding guarantees of share values.

The Pool does not impose liquidity fees or redemption gates on participant withdrawals. It is the policy of the Pool to permit participants to withdraw their investments on a daily basis; therefore, the District’s investment balance in the Pool is equal to fair value. Fair value is measured using quoted prices in active markets for identical assets that the Pool can access at the measurement date (Level 1 Inputs). Observable markets include exchange markets, dealer markets, brokered markets and principal-to-principal markets.

*[****Note to preparer****- most County Investment Pools have been identified to report at amortized cost—if your County Pool reports under a different basis, the paragraph above would need to be modified. Refer to BARS guidance for Note X Deposits and Investments for more information:* [BARS Note X Deposits and Investments](https://sao.wa.gov/bars_gaap/reporting/notes-to-financial-statements/note-x-deposits-and-investments/) *. If your ESD participates in other investment vehicles or has issues with investment vehicles through their County Treasurer, add disclosure here.]*

As of August 31, 20CY, theDistrict had cash balances and short-term residual investments of surplus cash as follows:

|   | Fair Value |
| --- | --- |
| Cash on Hand, Bank Deposits | $ |
| [name] County Investment Pool |  |
| Other investments [describe] |  |
| Total Cash, Cash Equivalents & Short-Term Investments | $ |

***[****Drafting guidance****:*** *This table should list cash-on-hand and investments by type/pool aggregated for the District; by enterprise fund is already listed on the face of the financials – if investments are held other than through the County Pool, you will need to consider appropriate disclosures. Refer to SAO BARS GAAP manual guidance on Deposits and Investments for further information:* [Reporting - Office of the Washington State Auditor](https://sao.wa.gov/bars_gaap/reporting/notes-to-financial-statements/note-x-deposits-and-investments/)*]*

*[Drafting guidance: If custodial balances are held, they should be disclosed separately/specifically, including the District’s share in the custodial fair value of investments, if any.]*

The District reports its investment in the Pool at the fair value amount, which is the same as the value of the Pool per share.

*The [name]* Treasurer bears the risk of maturity in the *[name]* Investment Pool.

***Note to Preparer****: If the District holds investments other than in the County Treasurer Investment Pool, please refer to the BARS manual on required disclosures regarding those investments, including risk and Fair Value. Directed investments made by the County Treasurer on the District’s behalf would fall under these additional disclosure requirements.*

## Credit Risk

The *[name]* County Investment Pool is considered extremely low risk. The Pool’s portfolio is made up of high quality, highly liquid securities, and its relatively short average maturity reduces the Pool’s price sensitivity to market interest rate fluctuations.

The Pool is not insured or guaranteed by any government; therefore, maintenance of principal is not fully insured*.* The *[name*] County Investment Pool does not have a credit rating.

## Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of the counterparty to an investment transaction, the District would not be able to recover the value of the investment or collateral securities. Of the District’s total cash and investment position of $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ is exposed (or no balances are exposed) to custodial credit risk. The District does not have a policy for custodial credit risk.

*[Note to Preparer: The first $\_\_\_\_\_\_\_ should tie to total cash & investment lines on the financial statement. The second $\_\_\_\_\_\_ is used only for the amounts that are exposed to custodial risk (i.e., balances in investment pools)—bank deposits are not exposed.]*

## Concentration of Credit Risk

Credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. The District does not have a formal policy for concentration of credit risk. The District does not have investments in any one issuer that represents five percent or more of total investments.

## Interest Rate Risk

Interest rate risk is the risk the District may face should interest rate variances affect the fair value of investments. The District does not have a formal policy that addresses interest rate risk.

As of August 31, 20CY, the [*name]* County/LGIP Investment Pool’s average maturity was \_\_\_\_ days/months/years. [*Alternate wording if maturities swung widely during year and/or average as of year-end does not tell a full story* *add*: Average maturity for the year ending August 31, 20CY ranged from [xx] months to [xx] months, with an annual average of [xx] months.] As a means of limiting its exposure to rising interest rates, securities purchased in the Pool must have a final maturity, or weighted average life, no longer than five years. While the Pool’s market value is calculated on a monthly basis, unrealized gains and losses are not distributed to participants. The Pool distributes earnings monthly using an amortized cost methodology.

# Note 3: CAPITAL ASSETS

Capital assets activity for the fiscal year ended August 31, 20CY*,* was as follows:

*[Be sure your asset totals agree with what is used on the Statement of Net Position]*

|  | Beginning Balance 9/1/PY | Additions | Deductions | Ending Balance8/31/CY |
| --- | --- | --- | --- | --- |
| Capital assets not depreciated: |  |  |  |  |
|  Land | $ | $ | $ | $ |
|  Construction in Progress |  |  |  |  |
| Total capital assets not depreciated |  |  |  |  |
|  |  |  |  |  |
| Depreciable capital assets: |  |  |  |  |
|  Buildings & Improvements |  |  |  |  |
|  Improvements other than buildings |  |  |  |  |
|  Equipment |  |  |  |  |
|  Lease assets |  |  |  |  |
|  SBITA assets |  |  |  |  |
|  Other |  |  |  |  |
| Total depreciable capital assets |  |  |  |  |
| Less accumulated depreciation for: |  |  |  |  |
|  Buildings & Improvements |  |  |  |  |
|  Improvements other than buildings |  |  |  |  |
|  Equipment |  |  |  |  |
|  Lease assets |  |  |  |  |
|  SBITA assets |  |  |  |  |
|  Other |  |  |  |  |
| Total accumulated depreciation and amortization |  |  |  |  |
|  |  |  |  |  |
| Total depreciable capital assets, net |  |  |  |  |
| Total capital assets, net | $ | $ | $ | $ |

*[****NOTE****: Accumulated Depreciation balances should be presented in the table above as negative $(xx,xxx) contra assets so that the numbers sum down and across correctly without the reader having to understand that Accumulated Depreciation is a contra asset.]*

*[****NOTE:*** *if the District has capital assets and depreciation expense across multiple enterprise funds, a disclosure to report the depreciation expense for each function or activity is required. For ESD’s most likely the function or activity is the Fund’s purpose:*

Depreciation expense charged to functions as follows:

 {BTA Fund 1 Function}: $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 {BTA Fund 2 Function}: $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 Total depreciation for business-type activities $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

*[If the District has lease income on owned properties or equipment, certain disclosures are required. Insert here or insert in lease footnote and make reference to the lease note here. “The District leases excess space in [XYZ building]. See Note 6.” Footnote example is included in lease footnote in this template]*

*[Disclose any significant new property acquisitions here or significant new lease commitments for property]*

## Construction Commitments

As of August 31, 20CY, the District has active construction projects and commitments as follows:

| Project | Contract Amount | Spent to Date as of August 31, 20CY | Remaining Commitment |
| --- | --- | --- | --- |
|  |  | $ | $ |
|  |  |  |  |
|  |  |  |  |

Of the total committed balance above, the District will be required to raise $\_\_\_\_\_\_\_\_\_\_\_\_ in future financing*. [or statement that no future financing is required to fulfill construction commitments.]*

*[Construction Commitments should be presented in a separate note if there are other significant commitments not related to capital assets; arrangements to enter into future purchases at specified prices and sometimes at specified quantities. See BARS GAAP manual for further guidance,* <https://sao.wa.gov/bars-annual-filing/bars-gaap-manual/reporting/notes-financial-statements/note-x-construction-and-other-significant-commitments>*]*

# Note 4: SHORT–TERM DEBT

*(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 activities for the fiscal year ended August 31, 20CY, were as follows:

| Debt | Beginning Balance 9/1/20PY | Increases | Decreases | Ending Balance8/31/20CY |
| --- | --- | --- | --- | --- |
|  | $ | $ | $ | $ |
|  |  |  |  |  |

# Note 5: LONG–TERM LIABILITIES

***Notes to preparer:***

*GASB Statement Number 88 established financial statement note disclosure requirements related to debt. Debt is defined for purposes of disclosure in the notes as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is ﬁxed at the date the contractual obligation is established. Leases and accounts payable are excluded from the definition of debt for disclosure purposes. Debt includes both direct borrowings, (a district enters a loan agreement with a lender) and direct placements (district issues a debt security directly to an investor). Both direct borrowings and placements have terms negotiated directly with the investor or lender and are not offered for public sale.*

*As of FY22, previously reported Capital Leases are now considered installment loans or installment purchases. These should be reported as long-term debt instead of under the leases note.*

*In the Notes to the Financial Statements, the District should disclose summarized information about the following items:*

1. *Amount of unused lines of credit*
2. *Assets pledged as collateral for debt*
3. *Terms specified in debt agreements related to significant events of default with finance-related consequences, termination events with finance-related consequences and subjective acceleration clauses. Other Potential examples: Loans with forgiveness clauses, grants with recoverable clauses*

*In addition, in the notes section, the District should separate information in debt disclosures regarding direct borrowings and placements from other types of debt.*

The District issues limited general obligation bonds and other debt instruments through direct borrowings and placements to finance the purchase of \_\_\_\_\_\_\_\_\_\_\_\_\_\_ and acquisition and construction of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. The District’s property {describe the property}, located at [address] has been pledged as collateral for the limited obligation bonds listed.

*[NOTE: RCW 28A.310.200(6) establishes that “When borrowing funds for the purpose of acquiring property, the educational service district board shall pledge as collateral the property to be acquired.” Additional note disclosure should be provided in the paragraph above for any exceptions to this collateral pledge requirement.]*

*[NOTE: Regarding title reference of debt (i.e., limited general obligation bonds): Technically GO debt is backed by the general revenues of a government, while revenue bonds are supported by a specific revenue. Usually GO debt comes with the full faith and credit of the government and is tied to taxing authority (per WA DOR). Depending on the type of bond, one could call it General, Revenue, or Special Assessment.*

*If the bond is secured by collateral, then is should be technically called a secured bond; limited still works here as the debt is not backed by the faith and credit of the government & its revenue generating authority, it is backed by an asset. ESDs use “limited” in these situations as that is the title the bond is issued as.]*

Long-term debt from limited general obligation bonds and notes from direct borrowings and placements as of August 31, 20CY, is comprised of the following individual issuances:

| Issue Name/Purpose | Amount Authorized | Annual Installments | Maturity Range | Interest Rate | Amount Outstanding, August 31, 20CY *[1]* |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| Total |  |  |  |  |  |

*[Describe long-term debt: Amount issued, date of issue, annual redemption values, maturity date range, interest rate.]*

*[1] Balance outstanding is not required (BARS) in this table as it is provided in total in a table below. However, it is optional disclosure to provide amount outstanding, by issue, in this table. This should total to the amount of long-term debt, if included.)*

The District has an unused line of credit in the amount of $ .

Debt service requirements to maturity for privately placed limited obligation bonds, as of August 31, 20CY, are as follows:

*(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 variable rate debt should be computed using the rate effective at year end; the terms by which the interest rates changed must be disclosed.)*

| Years Ending August 31, | Principal | Interest |
| --- | --- | --- |
| 20CY+1, Current Portion | $ | $ |
| 20CY+2 |  |  |
| 20CY+3 |  |  |
| 20CY+4 |  |  |
| 20CY+5 |  |  |
| 20CY+6–20CY+10 |  |  |
| 20CY+11–20CY+15 |  |  |
| Total |  |  |

*[Insert information about any new borrowings during the year: purpose, details of borrowing, etc.]*

***Notes to Preparer:***

*If the District holds Notes Payable or other forms of debt other than limited obligation bonds, disclosure mirroring the annual debt service provided above would need to be included for those instruments. Could be incorporated above but needs to be distinguished from limited obligation bonds (i.e., another column set with sub-headings).*

*Also, if the District has refunded debt, conduit debt, other types of debt, restricted assets related to debt in the enterprise funds, a sinking fund, or reserve fund, additional disclosures are required, see BARS* [*https://sao.wa.gov/bars\_gaap/reporting/notes-to-financial-statements/note-x-long-term-debt/*](https://sao.wa.gov/bars_gaap/reporting/notes-to-financial-statements/note-x-long-term-debt/)*}*

## Changes in Long-Term Liabilities

During the fiscal year ended August 31, 20CY, the following changes occurred in long-term liabilities:

|  | Beginning Balance 9/1/20PY | Additions | Reductions | Ending Balance 8/31/20CY | Due Within One Year |
| --- | --- | --- | --- | --- | --- |
| Direct Placement Bonds | $ | $ | $ | $ | $ |
| Notes Payable |  |  |  |  |  |
| Compensated Absences (Note 1) |  |  |  |  |  |
| Claims Reserves (Note x) |  |  |  |  |  |
| *[Insert lines as appropriate for insurance related liabilities.]* |  |  |  |  |  |
| *Installment Loans* |  |  |  |  |  |
| Leases (Note 6) |  |  |  |  |  |
| Net Pension Liability (NPL) (Note 7) |  |  |  |  |  |
| Total OPEB Liability (Note 8) |  |  |  |  |  |
| *[Insert rows as needed]* |  |  |  |  |  |
| Total Long-Term Liabilities | $ | $ | $ | $ | $ |

*[****Note to preparer*** *– ensure ending balances in this table agree to liabilities on the Statement of Net Position and that all long-term liabilities have been reflected in this table. Ensure that the “Due Within One Year” column total agrees to current portion balances on the Statement of Net Position. A reminder that Total OPEB Liability should have a portion due within one year.]*

# Note 6: LEASES

## Lease of Capital Assets (intangible right to use assets by the District)

*[****Note to preparer*** *– Per GASB 87 Leases, a lessee should disclose the following about its lease activities (which may be grouped for purposes of disclosure), other than short-term leases:*

*1. A general description of its leasing arrangements, including (1) the basis, terms, and conditions on which variable payments not included in the measurement of the lease liability are determined and (2) the existence, terms, and conditions of residual value guarantees provided by the lessee not included in the measurement of the lease liability.*

*2. The total amount of lease assets, and the related accumulated amortization, disclosed separately from other capital assets (see sample table below).*

*3. The amount of lease assets by major classes of underlying assets, disclosed separately from other capital assets (see sample table below).]*

*4. The amount of outflows of resources recognized in the reporting period for variable payments not previously included in the measurement of the lease liability.*

*5.* *The amount of outflows of resources recognized in the reporting period for other payments, such as residual value guarantees or termination penalties, not previously included in the measurement of the lease liability.*

*6. Principal and interest requirements to maturity, presented separately, for the lease liability for each of the five subsequent fiscal years and in five-year increments thereafter (see sample table below).*

*7. Commitments under leases before the commencement of the lease term.*

*8. The components of any loss associated with an impairment (the impairment loss and any related change in the lease liability, as discussed in paragraph 34).*

1. *A lessee also should provide relevant disclosures for the following transactions, if applicable:*

*a. Sublease transactions (see paragraph 81)*

*b. Sale-leaseback transactions (see paragraph 85)*

*c. Lease-leaseback transactions (see paragraph 87).*

1. *A lessee is not required to disclose collateral pledged as a security for a lease (under paragraph 113 of Statement 62) if that collateral is solely the asset underlying the lease.*

The District is committed under various leases for {*enter type of capital assets*}. The leasing arrangements are as follows: {*enter general description of leasing arrangements*}. The District recognized {*enter information regarding outflows recognized in the reporting period not previously included in lease calculations and/or other outflows (see 4 & 5 above), if applicable*}.

*{****Notes to preparer:*** *if items 6-10 above occur, disclosure is required, example: The District had the following commitments that were required prior to the lease term beginning. These commitments were as follows (enter commitment information)}*

The underlying leased assets are as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Beginning Balance 9/1/20PY | Additions | Deductions | Ending Balance 8/31/20CY |
| Leased Land |  |  |  |  |
| Leased Buildings |  |  |  |  |
| Leased Equipment |  |  |  |  |
| Total leased assets |  |  |  |  |
|  |  |  |  |  |
| Accum. Amort. Land |  |  |  |  |
| Accum. Amort. Leased Bldgs. |  |  |  |  |
| Accum. Amort. Leased Equip. |  |  |  |  |
| Total Accumulated Amortization |  |  |  |  |
| *[optional] Total lease assets, net of Accum. Amort.* |  |  |  |  |

As of December 31, 20CY, the principal and interest requirements to maturity are as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| Year ended December 31 | Principal | Interest | Total |
| 20CY+1 | $ | $ | $ |
| 20CY+2 | $ | $ | $ |
| 20CY+3 | $ | $ | $ |
| 20CY+4 | $ | $ | $ |
| 20CY+5 | $ | $ | $ |
| 20CY+6-20CY+10 | $ | $ | $ |
| 20CY+11-20CY+15 | $ | $ | $ |
| Total | $ | $ | $ |

*{****Notes to preparer:*** *report principal amounts in the changes in long-term liabilities table as well)*

Changes in lease liabilities are presented in Note 5.

## Lease of Capital Assets (owned by the District)

*[****Note to preparer*** *– Per GASB 87, Leases, a lessor should disclose the following about its lease activities (which may be grouped for purposes of disclosure), other than short-term leases and certain regulated leases:*

*1. A general description of its leasing arrangements, including the basis, terms, and conditions on which variable payments not included in the measurement of the lease receivable are determined.*

*2. The total amount of inflows of resources (for example, lease revenue, interest revenue, and any other lease-related inflows) recognized in the reporting period from leases, if that amount cannot be determined based on the amounts displayed on the face of the financial statements.*

*3. The amount of inflows of resources recognized in the reporting period for variable and other payments not previously included in the measurement of the lease receivable, including inflows of resources related to residual value guarantees and termination penalties.*

*4. The existence, terms, and conditions of options by the lessee to terminate the lease or abate payments if the lessor government has issued debt for which the principal and interest payments are secured by the lease payments.*

*5. A lessor also should provide relevant disclosures for the following transactions, if applicable:*

*a. Leases of assets that are investments (see paragraph 41)*

*b. Certain regulated leases (see paragraph 60)*

*c. Sublease transactions (see paragraph 81)*

*d. Sale-leaseback transactions (see paragraph 85)*

*e. Lease-leaseback transactions (see paragraph 87).*

*6. In addition to the disclosures above, if a lessor’s principal ongoing operations consist of leasing assets to other entities, the government should disclose a schedule of future payments that are included in the measurement of the lease receivable, showing principal and interest separately, for each of the five subsequent fiscal years and in five-year increments thereafter (see sample table below).*

*7. A lessor with one or more regulated leases, as described in paragraphs 42 and 43, should disclose the following about those lease activities (which may be grouped for purposes of disclosure), other than short-term leases:*

*a. A general description of its agreements.*

*b. The extent to which capital assets are subject to preferential or exclusive use by counterparties under agreements, by major class of assets and by major counterparty.*

*c. The total amount of inflows of resources (for example, lease revenue, interest revenue, and any other lease-related inflows) recognized in the reporting period from these agreements, if that amount cannot be deter- mined based on the amounts displayed on the face of the financial statements.*

*d. A schedule of expected future minimum payments under these agreements for each of the subsequent five years and in five-year increments thereafter.*

*e. The amount of inflows of resources recognized in the reporting period for variable payments not included in expected future minimum payments.*

The District leases space to tenants in buildings not currently needed by the District for program service delivery (excess capacity). Lease income is classified as nonoperating revenue. A brief description of leasing arrangements is as follows:

*[Include a general description of the leasing arrangements (see 1-4 above). Example general descriptions follow:*

*Tenant Leases, Buildings: The District owns buildings [describe] totaling XXX square feet. The District currently occupies 39% of the building square footage; the remainder is under lease occupancy agreements [describe]. Current leases have termination dates ranging from [date] to [date], excluding unexecuted options to renew.*

*Vendor Sublet: The District leases approximately XXX square feet, located within its primary building to a vendor to provide [description] service to employees and conference center attendees. The current lease terminates on [date].*

*Short-Term Sublets: The District leases a small amount of office space to other governmental agencies on one-year lease agreements, as capacity is available.]*

Lease income for the fiscal year ended August 31, 20CY is detailed below:

|  |  |  |
| --- | --- | --- |
|  | Lease Income | Additional Income |
| {*categorized by the general descriptions from above}* | $ |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
| **Total Lease Income** | **$**  |  |

# Note 7: Subscription based information technology arrangements (Sbita)

***Note to preparer*** *– A government should disclose in notes to financial statements the following information about its SBITAs (which may be grouped for purposes of disclosure) other than short-term SBITAs:*

*1. A general description of its SBITAs, including the basis, terms, and conditions on which variable payments not included in the measurement of the subscription liability are determined*

*2. The total amount of subscription assets, and the related accumulated amortization, disclosed separately from other capital assets*

*Example:*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Beg. Bal. | Increases | Decreases | End. Bal. |
| Subscription assets |  |  |  |  |
| Accumulated Amortization |  |  |  |  |
| Net subscription asset |  |  |  |  |

*3. The amount of outflows of resources recognized in the reporting period for variable payments not previously included in the measurement of the subscription liability*

*4. The amount of outflows of resources recognized in the reporting period for other payments, such as termination penalties, not previously included in the measurement of the subscription liability*

*5. Principal and interest requirements to maturity, presented separately, for the subscription liability for each of the five subsequent fiscal years and in five-year increments thereafter*

*Example:*

As of December 31, 20XX, the principal and interest requirements to maturity are as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| Year ended December 31 | Principal | Interest | Total |
| 20XX | $ | $ | $ |
| 20XX | $ | $ | $ |
| 20XX | $ | $ | $ |
| 20XX | $ | $ | $ |
| 20XX | $ | $ | $ |
| 20XX-20XX | $ | $ | $ |
| 20XX-20XX | $ | $ | $ |
| Total | $ | $ | $ |

*6. Commitments under SBITAs before the commencement of the subscription term*

*7. The components of any loss associated with an impairment (the impairment loss and any related change in the subscription liability)*

# Note 8: PENSION PLANS

**State Sponsored Pension Plans**

## General Information

*[****Note to Preparer:*** *The annual report for the DRS pension funds is issued in the fall. OSPI will provide an updated Pension Note 7 once that information is available with updates to any assumptions as well as a tool and information to complete the tables.]*

*[Optional introductory paragraph—may omit and start with General Information below]*The District is required to provide retirement benefits for substantially all qualifying employees through the Washington State Department of Retirement Systems (DRS), a department within the primary government of the state of Washington. Generally accepted accounting principles require, among other provisions, that the District recognize its proportionate share of the DRS plans’ funded status. The District has no independent ability to fund or satisfy pension liabilities outside of Washington State’s legislatively adopted contribution rates. Assessments now and in the future are made based on the legislatively mandated rates and are paid by the District on salaries and wages, as earned, in future years.

The following table represents the aggregate pension amounts for all plans of the District for fiscal year 20CY:

|  |
| --- |
| **Aggregate Pension Amounts—All Plans** |
| Pension Liabilities | $  |
| Pension Assets |  |
| Deferred outflows of resources |  |
| Deferred inflows of resources |  |
| Pension expense  |  |

*[****Note****—if omitting 1st paragraph above, define DRS here as done above. Remove any pension amount line items unused in the table above (for example, Pension Assets most likely will not be reported in the table).]*

DRS, a department within the primary government of the state of Washington, issues a publicly available annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS annual comprehensive financial report may be obtained by writing to: Washington State Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or online at https://www.drs.wa.gov/news/.

## Membership Participation

Substantially all of the District’s 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 & 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 Plan Information

TRS was established in 1938, and its retirement provisions are contained in Chapters 41.34 and 41.32 RCW. 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 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 calculated using 2% of the member’s Average Final Compensation (AFC) times the member’s years of service - up to a maximum of 60%. The AFC is the average of the member’s two consecutive highest-paid fiscal years.

Members are eligible for retirement at any age after 30 years of service, 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).

TRS Plan 2/3 provides retirement, disability and death benefits. TRS Plan 2 members are vested after completing five years of eligible service. TRS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service or after five years of service if 12 months of that service are earned after age 44. Retirement benefits for Plan 2 are calculated using 2% of the member’s Average Final Compensation (AFC) times the member’s years of service. Retirement defined benefits for Plan 3 are calculated using 1% of ACF times the member’s years of service. AFC is the monthly average of the member’s 60 consecutive highest-paid service credit months. TRS Plan 2/3 has no cap on years of service credit.

Members are eligible for retirement with a full benefit 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 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit.

Other TRS Plan 2/3 benefits include a Cost-of-Living Adjustment (COLA) based on the Consumer Price Index, capped at 3% annually.

Annuities purchased with plan 3 defined contributions that are invested within the WSIB TAP are considered defined benefits. Plan 3 WSIB TAP annuities are actuarially reduced if a survivor benefit is chosen and TAP annuities include a COLA of 3% annually.

TRS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. Members are eligible to withdraw their defined contribution upon separation. Members have multiple withdrawal options, including purchase of an annuity.

### PERS Plan Information

PERS was established in 1947, and its retirement benefit provisions are contained in Chapters 41.34 and 41.40 RCW. PERS is a cost-sharing, multiple-employer retirement system. 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 2% of the member’s Average Final Compensation (AFC) times the member’s years of service. 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.

PERS Plan 1 retirement benefits are actuarially reduced if a survivor benefit is chosen. Members retiring from inactive status prior to the age of 65 may also receive actuarially reduced benefits. Other benefits include duty and non-duty disability payments, an optional Cost-of-Living Adjustment (COLA).

### SERS Plan Information

SERS was established by the legislature in 1998, and the plan became effective in 2000. SERS retirement benefit provisions are established in Chapters 41.34 and 41.35 RCW. SERS members include classified employees of school districts and educational service districts. 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.

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 a single plan for accounting purposes. . Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

SERS provides retirement, disability, and death benefits. SERS Plan 2 members are vested after completing five years of eligible service. SERS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service or after five years of service if 12 months of that service was earned after age 44. Retirement benefits are calculated as 2% of the member’s Average Final Compensation (AFC) times the member’s years of service. Defined benefits for Plan 3 are calculated using 1% times the member’s AFC times the member’s years of service. . AFC is the monthly average of the member’s 60 highest-paid consecutive service months.

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 retirement benefits are actuarially reduced if aa survivor benefit is chosen. Other SERS Plan 2/3 benefits include a Cost-of-Living-Adjustment (COLA) based on the Consumer Price Index, capped at 3%.

SERS 3 defined contributions benefits are totally dependent on employee contributions and the investment earnings on those contributions. Annuities purchased with plan 3 defined contributions that are invested within the WSIB TAP are considered defined benefits. Plan 3 WSIB TAP annuities are actuarially reduced if a survivor benefit is chosen and TAP annuities include a 3% annually.

## 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 state statue in accordance with Chapters 41.40 and 41.45 RCW for PERS, Chapters 41.35 and 41.45 RCW for SERS, and Chapters 41.32 and 41.45 RCW for TRS. 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% 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 fiscal year 20CY are listed below:

| **Pension Rates – Actual Contribution Rates** |
| --- |
|  | **Employer** | **Employee** |  |
| **PERS Plan 1** |
| September 1, 20SY – June 30, 20CY |
|  PERS Plan 1 | % | % |  |
|  PERS Plan 1 UAAL | % |  |  |
|  Administrative Fee | % |  |  |
| **Total** | % | % |  |
| July 1, 20CY – August 31, 20CY |
|  PERS Plan 1 | % | % |  |
|  PERS Plan 1 UAAL | % |  |  |
|  Administrative Fee | % |  |  |
| **Total** | % | % |  |
|  |  |  |  |
| **TRS Plan 1** |
| September 1, 20SY – August 31, 20CY |
|  TRS Plan 1 | % | % |  |
|  TRS Plan 1 UAAL | % |  |  |
|  Administrative Fee | % |  |  |
| **Total** | % | % |  |
| **TRS Plan 2/3** |
| September 1, 20SY – August 31, 20CY |
|  TRS Plan 2/3 | % | % | **\*/ \*\*** |
|  TRS Plan 1 UAAL | % |  |  |
|  Administrative Fee | % |  |  |
| **Total** | % | % |  |
| **SERS Plan 2/3** |
| September 1, 20SY – August 31, 20CY |
|  SERS Plan 2/3 | % | % | **\*/ \*\*** |
|  PERS Plan 1 UAAL | % |  |  |
|  Administrative Fee | % |  |  |
| **Total** | % | % |  |
| **\*** TRS & SERS Plan 3 Employee Contribution variable from 5% to 15% based on rate selected by the employee member |
| **\*\*** TRS & SERS Plan 2/3 Employer Contribution for defined benefit portion only |

The District’s actual contributions to the plans for the year ended August 31, 20CY were as follows:

| August 31, 20CY | PERS 1 | SERS 2/3 | TRS 1 | TRS 2/3 |
| --- | --- | --- | --- | --- |
| District’s Annual Contributions |  |  |  |  |

## District’s Proportionate Share of the Net Pension Asset (NPA) and Net Pension Liability (NPL)

As of June 30, 20CY, the District reported $**\_\_\_\_\_\_\_\_\_\_** for its proportionate shares of the individual plans’ collective net pension assets and $\_\_\_\_\_\_\_\_\_ for its proportionate shares of the individual plans’ collective net pension liability. The employer’s proportionate share of these collective net pension amounts is based on annual contributions for each of the employers participating in the DRS administered plans. At June 30, 20CY, the District’s proportionate share of each plan’s net pension (asset) liability is reported below:

| June 30, 20CY | PERS 1 | SERS 2/3 | TRS 1 | TRS 2/3 |
| --- | --- | --- | --- | --- |
| Proportionate Share of NPL |  |  |  |  |

Changes to the District’s proportionate shares of the collective net pension liability are displayed in the Schedule of Changes in Long Term Liabilities, Note 5.

As of June 30, 20CY, the District’s proportionate share of the collective net pension (asset) liability and the change in the allocation percentage from the prior year is reported below:

| Change in Proportionate Shares Allocation Percentages | PERS 1 | SERS 2/3 | TRS 1 | TRS 2/3 |
| --- | --- | --- | --- | --- |
| Current year proportionate share of (NPA)/NPL | % | % | % | % |
| Prior year proportionate share of (NPA)/NPL | % | % | % | % |
| Net difference percentage | % | % | % | % |

## Actuarial Assumptions

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

| Inflation | 2.75% total economic inflation, 3.50% salary inflation |
| --- | --- |
| Salary increases | In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity. |
| Investment rate of return | 7.40%  |

###

### Mortality Rates

Mortality rates used in the plans were developed using the Society of Actuaries’ Pub.H-2010 Mortality rates, which vary by member status as the base table. The Office of the State Actuary (OSA) applies age offsets for each system to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale to project mortality rates for every year after the 2010 base table. The actuarial assumptions used in the June 30, 20xx, valuation were based on the results of the *2013–2018 Demographic Experience Study* *Report and the 2019 Economic 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

OSA selected a 7.40% long-term expected rate of return on pension plan investments using a building-block method. In selecting the assumptions, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns the Washington State Investment Board (WSIB) provided. 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 expected future rates of return are developed by the WSIB for each major asset class.

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, 20CY, 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 | 20.00% | 2.20% |
| Tangible Assets | 7.00% | 5.10% |
| Real Estate | 18.00% | 5.80% |
| Global Equity | 32.00% | 6.30% |
| Private Equity | 23.00% | 9.30% |

The inflation component used to create the above table is 2.20% 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 7.40%. 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. Based on the assumptions described in the DRS annual comprehensive financial report Certification Letter, 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, a 7.40% on pension plan investments was applied to determine the total pension liability.

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

The table below presents the District’s proportionate share of the net pension (asset) or liability calculated using the discount rate of X.XX%, as well as what the net pension (asset) or liability would be if it were calculated using a discount rate that is one percentage point lower (X.XX%) or one percentage point higher (X.XX%) than the current rate. Amounts are calculated by plan using the District’s allocation percentage.

| **Sensitivity of (NPA)/NPL to Changes in the Discount Rate** |
| --- |
|  | **1% Decrease** **(\_\_\_\_%)** | **Current Discount Rate (\_\_\_\_%)** | **1% Increase** **(\_\_\_\_%)** |
| **PERS 1 (NPA)/NPL** | $ | $ | $ |
| Allocation Percentage | % | % | % |
| Proportionate Share of Collective (NPA)/NPL  | $ | $ | $ |
|  |
| **SERS 2/3 (NPA)/NPL** | $ | $ | $ |
| Allocation Percentage | % | % | % |
| Proportionate Share of Collective (NPA)/NPL  | $ | $ | $ |
|  |
| **TRS 1 (NPA)/NPL** | $ | $ | $ |
| Allocation Percentage | % | % | % |
| Proportionate Share of Collective (NPA)/NPL  | $ | $ | $ |
|  |
| **TRS 2/3 (NPA)/NPL** | $ | $ | $ |
| Allocation Percentage | % | % | % |
| Proportionate Share of Collective (NPA)/NPL  | $ | $ | $ |

## 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. As of August 31, 20CY, the District reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

| **Deferred Outflows of Resources and Deferred Inflows of Resources****Related to Pensions** |
| --- |
| **PERS 1** | 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 proportionate shares  | $ | $ |
| Contributions subsequent to the measurement date  | $ | $ |
| TOTAL | $ | $ |
| **SERS 2/3** | 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 proportionate shares | $ | $ |
| Contributions subsequent to the measurement date  | $ | $ |
| TOTAL | $ | $ |
| **TRS 1** | 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 proportionate shares | $ | $ |
| Contributions subsequent to the measurement date  | $ | $ |
| TOTAL | $ | $ |
| **TRS 2/3** | 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 proportionate shares | $ | $ |
| Contributions subsequent to the measurement date  | $ | $ |
| TOTAL | $ | $ |
| **COMBINED TOTAL** | 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 proportionate shares | $ | $ |
| 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 (asset) or liability for the year ending August 31, 20NY.

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 ending August 31, | PERS 1 | SERS 2/3 | TRS 1 | TRS 2/3 |
| --- | --- | --- | --- | --- |
| 20CY+1 |  |  |  |  |
| 20CY+2 |  |  |  |  |
| 20CY+3 |  |  |  |  |
| 20CY+4 |  |   |   |   |
| 20CY+5 |  |   |   |   |
| Thereafter |  |   |   |   |

## Pension Expense

For the year ended August 31, 20CY, the District recognized a total pension expense as follows:

| Pension Expense  |
| --- |
| PERS 1 | $ |
| SERS 2/3 |  |
| TRS 1 |  |
| TRS 2/3 |  |
| Total Pension Expense | $ |

***Note to Preparer:*** *Pension expense would equal contributions to the plan for employees during the fiscal year plus adjustments to pension expense from the change in NPL and DO/DI.*

**Schedules of Required Supplementary Information**

Required supplementary information is presented in the required supplementary schedules for each plan the District participates in.

*[Refer to BARS GAAP Manual Guidance, found in Reporting/Required Supplementary Information (RSI), Section [7]:* <https://sao.wa.gov/bars_gaap/reporting/required-supplementary-information-rsi/required-supplementary-information-rsi/> ]

# Note 9: POST EMPLOYMENT BENEFIT PLANS OTHER THAN PENSIONS

## Access to Other Post Employment Medical Benefits through the Washington State Health Care Authority (HCA)

***Note to Preparer*** *– shared note updates from annual actuarial plan for the individual ESDs will be issued annually upon receipt of reports – generally by October 31st of each year. Actuarial plan valuations are executed on a bi-annual basis with annual roll forward updated on the “off-year”. ESDs engage the same actuary firm each year to conduct the valuation due to their shared assumptions. The actuary issues each ESD their own report based on the data provided for their ESD each year.*

*If applicable, the notes should separately identify amounts for the District (including blended component units) from amounts for discretely presented component units.*

Washington State, through the HCA, administers a defined benefit other post-employment (OPEB) plan. The Public Employees’ Benefits Board (PEBB) created under 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. Eligible retirees and spouses are entitled to subsidies associated with post-employment medical benefits provided through PEBB.

The relationship between the PEBB OPEB plan and its employers and their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the HCA, employers and plan members, and the historical pattern of practice with regard to sharing of benefit costs.

Participation in the plan is administered by HCA as a single-employer defined benefit OPEB plan. The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.

|  |
| --- |
| **Aggregate Summary of OPEB Amounts** |
| OPEB liabilities | $ |
| Deferred outflows of resources |  |
| Deferred inflows of resources |  |
| OPEB expense |  |

## Valuation Date, Measurement Date and Reporting Date

The “valuation date” is July 1, 20XX. This is the date as of which the census data is gathered and the actuarial valuation is performed. The “measurement date” is August 31, 20CY. This is the date as of which the Total OPEB Liability is determined. Generally accepted accounting principles for OPEB allows a lag of up to one year between the measurement date and the reporting date. No adjustment is required between the measurement date and the reporting date. The “reporting date” is the District’s fiscal year end of August 31, 20CY.

General Description

Employers participating in the PEBB OPEB plan include Washington State general government agencies, higher education institutions, K-12 school and educational service districts and political subdivisions. Additionally, PEBB’s OPEB plan is available to retirees of K-12 school districts and educational service districts who do not participate in PEBB for insurance for their active employees. RCW 41.05.085 provides that contribution requirements of participating employers and of plan members are established by, and may be amended by, the HCA Board of Directors. Participating employers and active plan members are required to contribute the established benefit rates. All K-12 school districts and educational service districts contribute the same rate, which is set annually, as an amount per pro-rated full-time equivalent (FTE) under RCW 28A.400.410. Employers do not have the ability to contribute additionally to funding against future liabilities or impact funding progress on the actuarially determined liability of the HCA’s PEBB OPEB plan.

The PEBB OPEB plan provides healthcare insurance benefits (medical and dental) for retirees and their dependents. Retired members may only elect dental coverage if they have elected medical coverage. The PEBB OPEB plan offers eighteen (18) medical plans and three (3) dental plans. All current and future retirees who elect medical and dental coverage are assumed to elect carriers based on the weighted average of selection of carriers by current PEBB retirees. When a retiree or covered dependent becomes eligible for Medicare, the retiree or covered dependent must enroll in Medicare Parts A and B in order to maintain eligibility for retiree coverage.

### Employees Covered by Benefit Terms

District employees are eligible for retiree medical benefits after becoming eligible for service retirement pension benefits (either reduced or full pension benefits) under Plan 2 or 3 of TRS or SERS (see Note 7):

* Age 65 with 5 years of service for Plan 2
* Age 55 with 20 years of service for Plan 2
* Age 55 with 10 years of service for Plan 3

Former members who are entitled to a deferred vested pension benefit are not eligible to receive medical and life insurance benefits after pension benefit commencement. Survivors of covered members who die are eligible for medical benefits. At June 30, 20XX, the following employees were covered by benefit terms:

|  |  |
| --- | --- |
| Retirees and dependents currently receiving benefit payments |  |
| Active employees who may qualify for benefits upon retirement |  |

It is not possible to determine the number of inactive employees entitled to, but not yet receiving benefit payments. Retiring employees apply for benefits at their discretion, may be otherwise working and not eligible for benefits or be deceased. This data is not monitored by the District, HCA or the state of Washington.

### Election Assumptions

65% of employees are assumed to elect medical and dental benefits upon retirement. 45% of employees are assumed to enroll eligible dependents as of the retirement date. 100% of employees are assumed to enroll in Medicare, once eligible, after initial participation.

## Total OPEB Liability

The District’s Total OPEB Liability of $\_\_\_\_\_\_\_\_\_\_\_ was measured for the year ended August 31, 20CY, and was determined by an actuarial valuation as of the valuation date of July 1, 20CY, calculated based on the discount rates discussed below, projected to the measurement date. There have been no significant changes between the valuation date and the fiscal year end. If there were significant changes, an additional analysis or valuation might be required.

**Changes in Actuarial Methods and Assumptions**

***[Note to Preparer:*** *template draft reflects the prior year assumption changes. This section will be updated upon the issuance of the current year’s valuation. Changes noted will be only from the prior year’s report issued – valuation to update.]*

The actuarial methods and assumptions used in the valuation as of July 1, 2020 are the same as those used in the prior valuation except as follows:

* Effective July 1, 2020 the FASB 715 discount rate was changed from 3.96% to 2.2%. The discount rate was changed to reflect interest rates currently available on high-quality fixed income investments.
* The medical trend was updated to reflect the H.R. 1865 Further Consolidation Appropriations Act 2020, which became law on December 20, 2019. This law repealed the excise tax for high cost or “Cadillac” health plans completely.
* Effective July 1, 2020, the mortality assumption, service retirement rates, termination rates, and salary merit scales were changed. The actuarial valuation used assumptions from the most recent experience study for Washington State PERS, SERS, and TRS pension plans (see Note 6).
* Effective July 1, 2020, the expected claims and contributions were updated to better reflect expectations of future claims and contributions experience.
* Effective July 1, 2020, the election assumption was changed from 50% to 65% to match the most recent actuarial valuation for Washington State PERS, SERS, and TRS (see Note 7).

## Actuarial Assumptions and Other Inputs

The Total OPEB Liability in the July 1, 20XX actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement dates, unless otherwise specified.

### Inflation

The inflation rate of 2.75% was developed by the Office of the State Actuary for PEBB1 and was applied to the measurement date ending August 31, 20XX.

### Salary Increases

Salary assumptions are necessary for the actuarial cost method of OPEB. Salary assumptions reflect the assumptions used in the actuarial valuations for Washington State School Employees’ Retirement System (SERS) and Teacher Retirement System (TRS) 2. Projected payroll increases have been assumed to be 3.5% which equals 0.75% real wage growth above inflation. Projected annual merit and longevity increases for SERS range from 6.60% for 0 years of service to 0.10% for 20 years of service. Projected annual merit and longevity increases for TRS range from 5.10% for 0 years of service to 0.10% for 25 years of service.

### Discount Rate

The discount rate used to measure the Total OPEB Liability, as required by generally accepted accounting principles for the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method, was based on the yield or index rate for 20-year Tax-Exempt General Obligation Municipal bonds with an average rating of AA/Aa or higher (*Bond Buyer General* Obligation 20-bond municipal index for bonds that mature in 20 years). Discount rate assumptions were \_\_\_\_% for the measurement date of August 31, 20CY.

### Demographic Assumptions

Demographic assumptions regarding retirement, mortality, turnover, and marriage are based on assumptions used in the Office of the State Actuary’s actuarial valuation for Washington State SERS and TRS 2, modified for the District.

* Service retirement assumptions for plans 2 and 3 were used, which vary based on hire date and years of service.
* The assumed rates of disability under SERS and TRS plans 2 and 3 are less than 0.2% for ages 49 and below and continue to be low after that; demographic assumptions assume a 0% disability rate for all ages.
* Mortality assumptions for SERS were used (Scale MP-2017 Long-Term Rates ) on a generational basis, with gender-distinct employee rates before commencement and retiree and contingent survivor rates (as appropriate) after benefit commencement. For SERS, generational tables were used; for TRS teachers’ tables were used.

### Healthcare Cost Trends

Healthcare cost trends used in the actuarial valuation were developed for use in the July 1, 20CY OPEB valuation for the PEBB1 program, performed by the Office of the State Actuary. These assumptions are summarized below and refer to the amount by which medical costs are anticipated to exceed costs for the years ending June 30:

|  |  |  |  |
| --- | --- | --- | --- |
| Year Ending June 30, | Pre-65 Retiree Premiums & Claims | Post-65 Retiree Claims | Post-65 Retiree Premiums |
| 20CY | % | % | % |
| 20CY+1-2096 | % to % | % to % | % to % |

Dental costs trends are assumed to increase \_\_\_% to \_\_\_% for the year 20CY-20XX and beyond.

### Premium Levels

Assumed annual medical retiree contributions as of July 1, 20CY used in the actuarial valuation are displayed below. These represent a weighted average of July 1, 20CY to June 30, 20NY PEBB retiree contributions by medical plan, based on overall PEBB current retiree medical plan election as of the July 1, 20CY valuation date. Contribution assumptions exclude fees charged as a direct pass-through to participating retirees.

|  |  |
| --- | --- |
|  | Employee or Spouse |
| Non-Medicare | Medicare |
| Weighted average based on current PEBB retirees | $ | $ |

The July 1, 20CY assumed annual dental retiree contribution for employee or spouse is $\_\_\_\_, representing a weighted average of 20CY PEBB retiree contributions by dental plan, based on overall PEBB current retiree dental plan elections.

### Actuarial Cost Method

The actuarial cost method used for determining the benefit obligations is the Entry Age Actuarial Cost Method whereby the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percentage of expected salary for each year of employment between entry age (defined as age at hire) and assumed exit (until maximum retirement age).

1 The actuarial valuation for the Washington State OPEB plan offered through PEBB under administration of HCA can be found at <http://leg.wa.gov/osa/additionalservices/Pages/OPEB.aspx>

2 The actuarial valuation for the Washington State School Employees’ Retirement System (SERS) and Teacher Retirement System (TRS) can be found in the Annual Comprehensive Financial Report (ACFR) for the Department of Retirement Systems at [Publications - Department of Retirement Systems (wa.gov)](https://www.drs.wa.gov/news/)

### Claims Cost Assumptions

Subsidies provided by PEBB and valued in the actuarial valuation include the following:

* Explicit medical subsidy for post-65 retirees and spouses
* Implicit medical and dental subsidy

The explicit subsidies are monthly amounts paid per post-65 retirees and spouses. As of the valuation date, the explicit subsidy for post-65 retirees and spouses is the lessor of $\_\_\_\_or 50% of the monthly premiums. As of January 1, 20CY, the subsidy was increased to $\_\_\_ per month, and as of January 1, 20CY+1, the subsidy will be increased to $\_\_\_ per month OR The rate will remain at $\_\_\_\_\_\_ through 20NY. The rate was last increased in 20XX. Retirees and spouses currently pay the premium minus $\_\_\_ when the premium is over $\_\_\_ per month and pay half the premium when the premium is lower than $\_\_\_.

The implicit medical subsidy is the difference between the total cost of medical benefits and premiums. For pre-65 retirees and spouses, the retiree pays the full premium amount, based on a pool that includes active employees. Active employees will tend to be younger and healthier than retirees on average and therefore can be expected to have lower average health costs. (For post-65 retirees and spouses, the retiree does not pay the full premium due to the explicit subsidy discussed above.) Under generally accepted accounting principles, the total cost of benefit payments is to be based on claims costs or age-adjusted premiums approximating claims costs. The projection of retiree premiums is based on current amounts for the retirees’ share of the premium, projected with the medical trend assumption, varied by age and sex. Implicit subsidies for dental coverage are also reflected in the actuarial valuation.

## Changes in the Total OPEB Liability

The increase (decrease) in the Total OPEB Liability is detailed in the table below:

|  |  |
| --- | --- |
| For the fiscal year ended | August 31, 20CY |
| Total OPEB Liability, beginning balance | $  |
| Changes for the year: |  |
|  Service cost |  |
|  Interest on Total OPEB Liability |  |
|  Effect of plan changes |  |
|  Effect of economic/demographic gains or losses |  |
|  Effect of assumptions changes or inputs |  |
|  Expected benefit payments |  |
| Total OPEB Liability, ending balance | $  |

Service cost represents the portion of the actuarial present value of expected benefit payments that is attributed to the valuation year.

Changes in assumptions or inputs represents the change in the portion of changes in the Total OPEB Liability that is not immediately recognized in OPEB expense and includes differences between expected and actual experience, changes in assumptions, and differences between expected and actual earnings on plan investments.

Expected benefit payments represent all benefits estimated to be payable through the PEBB OPEB plan to current active and inactive employees as a result of their past service and expected future service. This is the subsidy difference between the total cost of benefits and the portion of the benefits paid by the retirees. Per employee health costs vary depending on age, number of dependents and expected morbidity.

## Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the District’s Total OPEB Liability, calculated using the discount rate of \_\_\_\_%, as well as what the District’s Total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (\_\_\_%) or one percentage point higher (\_\_\_%) than the current rate:

|  |  |  |  |
| --- | --- | --- | --- |
| As of August 31, 20CY | 1% Decreasex% | Discount Ratex% | 1% Increasex% |
| Total OPEB Liability  | $ | $ | $ |

## Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the Total OPEB Liability of the District, calculated using the current healthcare cost trend rates as well as what the District’s Total OPEB Liability would be if it were calculated using trend rates that are one percentage point lower or one percentage point higher than the current trend rates.

|  |  |  |  |
| --- | --- | --- | --- |
| As of August 31, 20CY | 1% Decrease | Current Trend Rate | 1% Increase |
| Total OPEB Liability  | $ | $ | $ |

## OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

The District recognized OPEB expense as follows:

|  |  |
| --- | --- |
| For the year ended | August 31, 20CY |
| Service cost | $  |
| Interest on Total OPEB Liability |  |
| Effect of plan changes |  |
| Recognition of Deferred Inflows/Outflows of Resources: |  |
| Recognition of economic/demographic gains/losses |  |
| Recognition of assumption changes or inputs |  |
| OPEB Expense | $  |

The District’s deferred outflows and inflows of resources related to OPEB as of the August 31, 20CY Measurement Date are as follows:

|  | Deferred Outflows of Resources | Deferred Inflows of Resources |
| --- | --- | --- |
| Differences between expected and actual experience | $  | $ |
| Changes of assumptions or inputs |  |  |
| Contributions made subsequent to the Measurement Date | NA | NA |
| Total | $  | $ |

Amounts reported as deferred outflows and deferred inflows of resources related to OPEB that will be recognized in OPEB expense are detailed in the table below. Additional future deferred outflows and inflows of resources may impact these numbers.

|  |
| --- |
| Measurement period ended August 31, |
|  20CY+1 | $  |
|  20CY+2 |  |
|  20CY+3 |  |
|  20CY+4 |  |
|  20CY+5 |  |
|  Thereafter | $  |

**Note to Preparer:** *The required supplementary information (see s (a) and (b) below) as applicable, should be presented separately for each OPEB plan through which OPEB is provided. The information should be determined as of the measurement date of the total OPEB liability and may be presented in a single schedule. If a primary government and one or more of its component units provide OPEB through the same OPEB plan, required supplementary information in the reporting entity’s ﬁnancial statements should present information for all beneﬁts provided by the reporting entity through the OPEB plan.*

**a.** *10-year schedule of changes in the total OPEB liability that separately presents the information required for each year.*

***b.****A 10-year schedule presenting the following for each year:*

*(i) The total OPEB liability.*

*(ii) The covered-employee payroll. Unlike pension RSI, which uses covered payroll (the payroll on which contributions to a plan are based), this schedule requires covered-employee payroll – the payroll of employees that are provided with OPEB through the OPEB plan.*

*(iii) The total OPEB liability as a percentage of covered-employee payroll.*

***c.*** *Notes to RSI are required*

*(i) The fact that no assets are accumulated in a trust that meets the criteria in paragraph 4 of*[*GASBS 75*](https://www.gasb.org/jsp/GASB/Page/GASBSectionPage%26cid%3D1176160042391)*to pay related beneﬁts should be presented as a note to the schedule.*

*(ii) Information should be presented about factors that signiﬁcantly affect trends in the amounts reported – for example, changes of beneﬁt terms, changes in the size or composition of the population covered by the beneﬁt terms, or the use of different assumptions. (The amounts presented for prior years should not be restated for the effects of changes – for example, changes of beneﬁt terms or changes of assumptions – that occurred subsequent to the measurement date of that information.)*

**Note to Preparer:** *Include disclosure in this note section for other OPEB plans as applicable, for example 403b and 457 plans in which the employer is contributing. If you wish to disclose information about plans in which only employees contribute, you must make it clear in the notes that the employer does not contribute. For more information see* [*https://sao.wa.gov/bars\_gaap/reporting/notes-to-financial-statements/note-x-pension-plans-defined-contribution/*](https://sao.wa.gov/bars_gaap/reporting/notes-to-financial-statements/note-x-pension-plans-defined-contribution/)

# Note 10: RISK MANAGEMENT

*[Disclosures for members of a Risk Pool or Cooperative – this note discloses the District’s management of their own risks. If managing and reporting a Risk Pool enterprise fund, disclosures for the fund are specifically contained in the following Note 10.]*

## Property and Casualty

***[OPTION 1 – For ESDs whose risk is insured entirely through WSRMP or United Schools.*** *Note below is an example of disclosure elements expected. However, you may insert footnote provided by the insurer in place of this section, validating that all essential disclosures have been provided.]*

The District is a member of the Washington Schools Risk Management Pool (WSRMP). WSRMP provides property and casualty insurance coverage for its membership as authorized by RCW 48.62. An agreement to form a pooling arrangement was made pursuant to the provisions of RCW 39.34, the Interlocal Cooperation Act. WSRMP was formed in 1986 to pool self-insured losses and jointly purchase insurance and administrative services. Over ninety schools and educational service districts have joined WSRMP.

WSRMP purchases excess insurance coverage and provides related services, such as administration, risk management, and claims administration. All coverage is on an occurrence basis. WSRMP provides the following forms of group purchased insurance coverage for its members: Property, including owned buildings, automobiles and equipment, Equipment Breakdown, Commercial Crime, General Liability, Errors and Omissions Liability, and Employment Practices Liability.

Members make an annual contribution to fund WSRMP. Members are responsible for the first $1,000 of all property claims and WSRMP is responsible for the next $999,000. There is no member deductible for liability claims. Excess insurance covers insured losses over one million dollars up to the limits of each policy. WSRMP obtains excess insurance on behalf of the membership. WSRMP purchases additional excess crime coverage as well as required Public Official Bonds. Commercial Crime coverage is subject to a per-occurrence deductible of $1,000, which is the member’s responsibility. WSRMP is fully funded by its member participants. No claims have exceeded insurance coverage in the past three years. OR During [date in the last 3 years], claims exceeded insurance coverage by $\_\_\_\_\_\_\_\_\_.

WSRMP members must remain in the pool for a minimum of three years and must give notice three years before terminating membership participation. The WSRMP interlocal agreement is renewed automatically each year after the initial three-year period. After termination, the member remains responsible for their share of contributions for any unresolved, unreported, and in-process claims for the period they were a signatory to the interlocal agreement.

WSRMP is governed by a board of directors, which is comprised of one designated representative from each participating member. A sixteen-member executive committee is responsible for conducting the business affairs of WSRMP. Financial statements and disclosures for WSRMP may be obtained at the following web address, <https://wsrmp.com/public-documents/>, or at PO Box 88710, Tukwila WA, 98138.

***[OPTION 2 – For ESDs insuring risk through an ESD-managed risk pool]***

***[A- ESDs managing the Property and Casualty Pool]***

The District is a member of the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, as authorized by RCW 48.62. The District joined the *[Cooperative–Pool]* effective \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. Information regarding operation of the *[Cooperative–Pool]* is found in Note 10.

***[B-For ESDs not administering an ESD Risk Pool but a member in one]***

The District is a member of the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. The *[Cooperative–Pool]* provides property and casualty insurance coverage for its membership as authorized by RCW 48.62. An agreement to form a pooling arrangement was made pursuant to the provisions of RCW 39.34, the Interlocal Cooperation Act. The *[Cooperative–Pool]* was formed on \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to pool self-insured losses and jointly purchase insurance and administrative services. [Number of participating members] have joined the *[Cooperative–Pool].*

 ***[All ESDs- Option 2]***

The *[Cooperative–Pool]* purchases excess insurance coverage and provides related services, such as administration, risk management, and claims administration. All coverage is on an occurrence basis. The *[Cooperative–Pool]* provides the following forms of group purchased insurance coverage for its members: Property, including owned buildings, automobiles and equipment, Equipment Breakdown, Commercial Crime, General Liability, Errors and Omissions Liability, and Employment Practices Liability.

Members make an annual contribution to fund the *[Cooperative–Pool]*. Members are responsible for the first $\_\_\_\_\_\_\_\_\_\_ of all property claims and the *[Cooperative–Pool]* is responsible for the next $\_\_\_\_\_\_\_\_\_\_. There is no member deductible for liability claims. Excess insurance covers insured losses over $\_\_\_\_\_\_\_\_\_\_\_ up to the limits of each policy. The *[Cooperative–Pool]* is a member of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to obtain this excess insurance. The *[Cooperative–Pool]* purchases additional excess crime coverage as well as required Public Official Bonds. The Commercial Crime coverage is subject to a per-occurrence deductible of $\_\_\_\_\_\_\_\_ which is the member's responsibility. The *[Cooperative–Pool]* is fully funded by its member participants. No claims have exceeded insurance coverage in the past three years. OR During [date in the last 3 years], claims exceeded insurance coverage by $\_\_\_\_\_\_\_\_\_.

*[Cooperative–Pool]* members contract to automatically renew from year to year unless the member gives written notice of its election to terminate its participation in the agreement at least 180 days prior to August 31 of any year. Termination occurs on August 31. After termination, a member remains responsible for contributions to the *[Cooperative–Pool]* for any unresolved, unreported, and in-process claims for the period they were a signatory to the interlocal governmental agreement.

*[Drafting Note – verify termination terms for your particular Pool; the paragraph above represents the most common terms.]*

The [*Cooperative–Pool*] is governed by a board of directors, which is comprised of one designated representative from each participating member. A five-member executive committee is responsible for conducting the business affairs of the [*Cooperative–Pool].* Financial statements and disclosures for the [*Cooperative–Pool]* may be obtained from the following address: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

## Worker’s Compensation

***[OPTION 1 – Insuring Risk through L&I]***

The District’s worker’s compensation insurance coverage is obtained through the Washington State Department of Labor and Industry.

***[OPTION 2 – Insuring Risk through an ESD Risk Pool]***

***[Drafting Note:*** *Many of the worker’s compensation pools are registered with “trust” as part of their name; however, they are not legal trusts and should not be referred to in the notes as trusts. To link the registered business name to the discussion of the pool, an option is to add a DBA reference in the first paragraph, and then refer to the pool as Cooperative-Pool for the remainder of the disclosure. Example: XYZ Worker’s Compensation Cooperative (dba XYZ Worker’s Compensation Trust.)*

***[A-ESDs managing a Worker’s Compensation Pool]***

The District is a member of the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, as authorized by RCW 51.14. The District joined the *[Cooperative–Pool]* effective \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. Information regarding operation of the *[Cooperative–Pool]* is found in Note 10.

***[B-ESDs participating only in a Worker’s Compensation Pool]***

The District is a member of the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. The *[Cooperative–Pool]* is organized pursuant to RCW 51.14 for the purpose of managing workers’ compensation payroll taxes and employee claims. An agreement to form a pooling arrangement was made pursuant to the provisions of RCW 39.34, the Interlocal Cooperation Act. The *[Cooperative–Pool]* was formed on \_\_\_\_\_\_\_\_\_\_ to pool self-insured losses and jointly purchase insurance and administrative services. [Number of participating members] have joined the *[Cooperative–Pool].*

***[All ESDs – Option 2]***

The *[Cooperative–Pool]* provides industrial injury accident insurance coverage for its membership, including excess insurance coverage and provides related services such as administrative services, safety programs and claims administration. All coverage is on an occurrence basis. The *[Cooperative–Pool]* is fully funded by its member participants.

Members make an annual contribution to fund the *[Cooperative–Pool.* Member contributions are calculated based on the members’ hours worked. The *[Cooperative–Pool]* retains responsibility for the payment of claims within specified self-insured retention limits prior to the application of coverage provided by its excess insurance contracts. The *[Cooperative’s–Pool’s]* per-occurrence retention limit is $\_\_\_\_\_\_\_\_\_\_\_ and the annual aggregate retention is $\_\_\_\_\_\_\_\_\_\_\_. Since the *[Cooperative–Pool]* is a cooperative program, there is a joint liability among participating members.

*[Cooperative–Pool]* members contract to automatically renew from year to year unless the member gives written notice of its election to terminate its participation in the agreement at [insert agreement terms which vary between ESDs]. Requested termination occurs on [month / day] of any fiscal year. Even after termination, a member is still responsible for contributions to the *[Cooperative–Pool]* for any unresolved, unreported, and in-process claims for the period they were a signatory to the interlocal governmental agreement.

*[Drafting Note – verify termination terms for your particular Pool; the paragraph above represents the most common terms.]*

The [*Cooperative–Pool*] is governed by a board of directors, which is comprised of one designated representative from each participating member. A five-member executive committee is responsible for conducting the business affairs of the [*Cooperative–Pool].* Financial statements and disclosures for the [*Cooperative–Pool]* can be obtained from the following address: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

## Unemployment

***[Option 1; ESDs managing an Unemployment Pool]***

The District is a member of the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, as authorized by RCW 50.44. The District joined the *[Cooperative–Pool]* effective \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. Information regarding operation of the *[Cooperative–Pool]* is found in Note 10.

***[Option 2: ESDs participating only in an Unemployment Pool]***

The *[Cooperative–Pool]* is organized pursuant to RCW 50.44 for the purpose of managing workers’ compensation payroll taxes, employee claims, and safety programs. An agreement to form a pooling arrangement was made pursuant to the provisions of RCW 39.34, the Interlocal Cooperation Act. The *[Cooperative–Pool]* was formed on \_\_\_\_\_\_\_\_\_\_ to pool self-insured losses and jointly purchase administration services. [Number of participating members] have joined the *[Cooperative–Pool].*

***[All ESDs]***

The *[Cooperative–Pool]* provides unemployment compensation coverage for *[Cooperative–Pool]* members arising from previous employees, employer representation (as needed) and claims administration services.

Members make an annual contribution to fund the *[Cooperative–Pool],* which is fully funded by its member participants. Member districts pay a contribution calculated as a percentage of their employee’s wages. These contributions plus investment earnings pay for unemployment claims and for the administration of the *[Cooperative–Pool]*. There is provision that members can be additionally assessed if the *[Cooperative–Pool]* needs additional funding.

Claimants submit claims to the State of Washington Employment Security Department who determines eligibility. The *[Cooperative–Pool]* reimburses the Department for the unemployment claims paid against the member’s account. Since the *[Cooperative–Pool]* is a cooperative program, there is a joint liability among participating members.

*[Cooperative–Pool]* members contract to automatically renew from year to year unless the member gives written notice of its election to terminate its participation in the agreement at [insert agreement terms which vary between ESDs]. Termination occurs on [month/day] of any fiscal year. Even after termination, a member is still responsible for contributions to the *[Cooperative–Pool]* for any unresolved, unreported, and in-process claims for the period they were a signatory to the interlocal governmental agreement.

*[Drafting Note – verify termination terms for your particular Pool; the paragraph above represents the most common terms.]*

The [*Cooperative–Pool*] is governed by a board of directors [or trustees], which is comprised of one designated representative from each participating member. A five-member executive committee is responsible for conducting the business affairs of the [*Cooperative–Pool].* Financial statements and disclosures for the [*Cooperative–Pool]* can be obtained from the following address: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

# Note 11: RISK POOL DISCLOSURES

*[Note required for ESDs operating and managing shared risk pools to address the operation of the pools. Include only those risk pool disclosures for funds the District is administering.]*

*[For more information and instructions, please refer to information in the BARS GAAP Accounting Manual, found in Accounting / Liabilities / Risk Management Principles,* <https://sao.wa.gov/bars_gaap/accounting/liabilities/risk-management-principles/> ]

## Property & Liability Insurance Risk Pool

***[For those ESDs operating a Property and Casualty Pool]***

The District operates a self-funding, claims control, and risk management fund for property and casualty liabilities to member school districts and educational service districts. The *[Cooperative–Pool]* provides property and casualty insurance coverage for its membership as authorized by RCW 48.62. An agreement to form a pooling arrangement was made pursuant to the provisions of RCW 39.34, the Interlocal Cooperation Act. The *[Cooperative–Pool]* was formed on \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to pool their self-insured losses and jointly purchase insurance and administrative services. [Number of participating members] have joined the *[Cooperative–Pool]****.*** The District is a member of the *[Cooperative–Pool]* (see Note 9).

### Member Assessments, Unearned Member Assessments and Credits

Member assessments are collected in advance and recognized as revenue in the period for which insurance protection is provided. The assessment is calculated based on \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

The interlocal governmental agreement provides for supplemental assessments to members based on actual claim experience. (During fiscal year 20CY, the *[Cooperative–Pool]* did not make a supplemental assessment. OR In 20CY, the *[Cooperative–Pool]* recorded supplemental assessments of $\_\_\_\_\_\_\_\_\_\_, pursuant to this provision.) (In addition, during 20PY, prior year supplemental assessments were reduced by $\_\_\_\_\_\_\_\_\_\_.)

The interlocal governmental agreement provides that surplus members’ fund balance be used to credit future annual assessments. For the year ended 20CY, member assessments are presented net of such credits of $\_\_\_\_\_\_\_\_\_\_. The board of directors of the *[Cooperative–Pool]* has designated $\_\_\_\_\_\_\_\_\_\_\_\_ of member’s net position for this purpose for the fiscal year ended 20CY.

### Unpaid Claims

Claim reserves represent the accumulation of estimates for reported, unpaid claims, and a provision for claims incurred, but not reported. These estimates are continually reviewed and updated, and any resulting adjustments are reflected in current earnings.

### Reserve for Unallocated Loss Adjustment Expenses

The reserve for unallocated loss adjustment expenses represents the estimated cost to be incurred with respect to the settlement of claims in process and claims incurred but not reported. Management estimates this liability at the end of each year based upon cost estimates provided by an actuarial firm. The change in the liability each year is reflected in current earnings.

### Unpaid Claims Liabilities

The *[Cooperative–Pool]* establishes claims liabilities based on actuarially derived estimates of the ultimate cost of claims, including future claim adjustment expenses, that have been reported but not settled, and claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of salvage, subrogation, and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverages such as general liability.

Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

The *[Cooperative–Pool]* establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses, both allocated and unallocated.

*[Drafting guidance – If the pool is for a single contract type, the RSI for aggregate liabilities would just include a note that the schedule presented in Note 10 to the financial statements discloses the required information for the single contract type. A redundant schedule would not be presented in the RSI.]*

[*Drafting guidance - If pool is NOT a single contract type, an RSI schedule is required in addition to the table note disclosure below. Include the following disclosure statement* Changes in the aggregate liabilities by contract may be found in the *Required Supplementary Schedules* to these financial statements.]

The following represents changes in those [aggregate/single contract] liabilities for the *[Cooperative–Pool]* during the past two years:

|  | For the Year Ended August 31, 20CY | For the Year EndedAugust 31, 20PY |
| --- | --- | --- |
| Unpaid claims and claim adjustment expenses, beginning of year | $ | $ |
|  |  |  |
| Incurred claims and claim adjustment expenses: |  |  |
| Provision for insured events of current year | $ | $ |
| Increases in provision for insured events of prior years |  |  |
| Total incurred claims and claim adjustment expenses |  |  |
|  |  |  |
| Payments: |  |  |
| Claims and claim adjustment expenses attributable to insured events of current year |  |  |
| Claims and claim adjustment expenses attributable to insured events of prior years |  |  |
|  Total Payments |  |  |
|  |  |  |
| Total unpaid claims and claim adjustment expenses, end of year | $ | $ |

As of August 31, 20CY, $\_\_\_\_\_\_\_\_\_\_\_\_\_ of unpaid claims and claim adjustment expenses are presented at their net present value of $\_\_\_\_\_\_\_\_\_\_\_\_\_\_. These claims are discounted at annual rates ranging from \_\_\_\_% to \_\_\_\_ %. Unpaid claims expenses of $\_\_\_\_\_\_\_\_\_\_\_\_ are not reported in the 20CY fiscal year-end balances because the *[Cooperative–Pool]* has purchased annuities in claimants’ names to settle those claims.

### Risk Financing Limits

The *[Cooperative–Pool]* retains responsibility for the payment of claims within specified self-insured retention limits prior to the application of coverage provided by excess insurance contracts. For the fiscal year ended August 31, 20CY, the *[Cooperative’s–Pool’s]* per occurrence self-insured retention limit is $\_\_\_\_\_\_\_\_\_\_ for liability claims and $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ for property claims.

Per occurrence coverage limits provided by the *[Cooperative–Pool]* as of August 31, 20CY, including excess insurance limits combined with the *[Cooperative’s/Pool’s]* self-insured retention are as follows:

| Type of Coverage | Member Deductibles | Self-Insured Retention | Excess Limits |
| --- | --- | --- | --- |
|  | $ | $ | $ |
|  |  |  |  |
|  |  |  |  |

### Reinsurance

The *[Cooperative–Pool]* uses reinsurance agreements to reduce its exposure to large losses on all types of insured events. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the *[Cooperative–Pool]* as direct insurer of the risks reinsured. The *[Cooperative–Pool]* does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers.

The *[Cooperative–Pool]* maintains excess insurance contracts with several insurance carriers, which provide various limits of coverage over the *[Cooperative’s–Pool’s]* self-insured retention limits. The per occurrence coverage limits provided by these excess insurance contracts are as follows for the fiscal year ended August 31, 20CY:

| Lines of Coverage | Company | Per-Occurrence Limits |
| --- | --- | --- |
|  |  | $ |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |

The coverage limits provided by the *[Cooperative–Pool*], including the excess insurance limits combined with the *[Cooperative’s–Pool’s]* self-insured retention limits, are as follows for the fiscal year ended August 31, 20CY:

| Lines of Coverage | Company | Per-Occurrence Limits |
| --- | --- | --- |
|  |  | $ |
|  |  |  |

The amount deducted from claims liabilities as of August 31, 20CY, for reinsurance was $\_\_\_\_\_\_\_\_\_\_. Premiums ceded to reinsurers during 20CY were $\_\_\_\_\_\_\_\_\_\_.

### Solvency

Washington Administrative Code (WAC) 200-100 requires pools to maintain certain levels of primary and secondary assets to meet solvency standards. As defined in WAC 200-100-03001 total primary assets, cash and cash equivalents less non-claim liabilities, must be at least equal to the unpaid claims estimate at the expected level as determined by the actuary. Additionally, total primary and secondary assets must be at least equal to the unpaid claims estimate at the 80 percent confidence level as determined by the actuary. Secondary assets are defined as insurance receivables, real estate or other assets (less any non-claim liabilities) the value of which can be independently verified by the state risk manager.

| Solvency Tests for Risk Management | Primary Asset Test | Secondary Asset Test |
| --- | --- | --- |
| Cash & cash equivalents | $xx,xxx  | $xx,xxx  |
| Investments | x,xxx | x,xxx |
| Receivables | n.a. | x,xxx |
| Prepaid expenses | n.a. | x,xxx |
|  Total | xx,xxx | xx,xxx |
| Less: Non-claims liabilities | (x,xxx) | (x,xxx) |
| Less: Unearned member contributions | x,xxx | n.a. |
|  Total primary assets | $xx,xxx  |  |
|  Total secondary assets |  | $ xx,xxx  |
| Compared to: |  |  |
| Claim liabilities at expected level per actuary (sum of all claims liabilities) | $ xx,xxx |  |
| Claim liabilities at 80% confidence level per actuary |  | $ xx,xxx |
| Solvency test results | MET/ NOT MET | MET/ NOT MET |

### Exemption from Federal and State Taxes

Pursuant to revenue ruling number 90-74, income of municipal risk pools is excluded from gross income under IRC Section 115(1). RCW 48.62 exempts the *[Cooperative–Pool]* from insurance premium taxes, and business and occupation taxes imposed pursuant to RCW 82.04.

## Workers' Compensation Insurance Pool

***[For those ESDs operating Worker’s Compensation Pools]***

The District operates a self-funding, claims control and risk management fund for worker’s compensation liabilities of member school districts and educational service districts. The Workers' Compensation Pool, registered in Washington and doing business as [NAME], is organized pursuant to RCW 51.14 for the purpose of managing workers’ compensation payroll taxes, employee claims, and safety programs. An agreement to form a pooling arrangement was made pursuant to the provisions of RCW 39.34, the Interlocal Cooperation Act. The *[Cooperative–Pool]* was formed on \_\_\_\_\_\_\_\_\_ to pool self-insured losses and jointly purchase insurance and administrative services. [Number of participating members] have joined the *[Cooperative–Pool]****.*** The District is also a member of the *[Cooperative–Pool]* (see Note 9).

### Member Assessments, Unearned Member Assessments and Credits

Member assessments are collected in advance and recognized as revenue in the period for which insurance protection is provided. The assessment is calculated based on \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

*[Note to Preparer: Inclusion of the following 2 paragraphs will be dependent on the interlocal agreement for your District’s Pool. Ensure that the paragraphs are included or excluded as appropriate. In particular, the second paragraph on treatment of assessments should be addressed specifically based on provisions in the interlocal agreement.]*

Workers’ Compensation self-insurers in Washington are charged quarterly by L&I based on the amount of self-insured loss payments made during the quarter. The *[Cooperative’s-Pool’s]* estimated outstanding self-insurer assessments as of August 31, 20CY are approximately $\_\_\_\_\_\_\_\_. This represents future administrative and second injury assessments related to the *[Cooperative’s-Pool’s]* August 31, 20CY unpaid claim estimate. The estimate made in the prior actuarial study was $\_\_\_\_\_\_\_\_\_. The estimated *[Cooperative’s-Pool’s]* future second injury fund assessment rate is based on a three-year average of the prior rates charged by L&I.

The interlocal governmental agreement provides for assessments to members based on actual claim experience. The agreement further provides that assessments are made in the aggregate and may be held to credit against future assessments, rather than refunded on an actual claims experience basis for a fiscal year. (During fiscal year 20CY, the *[Cooperative–Pool]* did not make a supplemental assessment for claims experience. OR In 20CY, the *[Cooperative–Pool]* recorded supplemental assessments of $\_\_\_\_\_\_\_\_\_\_, pursuant to this provision.) (In addition, during 20PY, prior year supplemental assessments were reduced by $\_\_\_\_\_\_\_\_\_\_.) (For the year ended 20CY, member assessments are presented net of such credits of $\_\_\_\_\_\_\_\_\_\_.)

### Unpaid Claims

Claim reserves represent the accumulation of estimates for reported, unpaid claims, and a provision for claims incurred, but not reported. These estimates are continually reviewed and updated, and any resulting adjustments are reflected in current earnings.

### Reserve for Unallocated Loss Adjustment Expenses

The reserve for unallocated loss adjustment expenses represents the estimated cost to be incurred with respect to the settlement of claims in process and claims incurred but not reported. Management estimates this liability at the end of each year based upon cost estimates provided by an actuarial firm. The change in the liability each year is reflected in current earnings.

### Unpaid Claim Liabilities

The *[Cooperative–Pool]* establishes claims liabilities based on actuarially derived estimates of the ultimate cost of claims, including future claim adjustment expenses, that have been reported but not settled, and claims that have been incurred but not reported. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount.

Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

The *[Cooperative–Pool]* establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses, both allocated and unallocated. At August 31, 20CY, the amount of liabilities totaled $\_\_\_\_\_\_\_\_\_\_\_\_. This liability is the District’s best estimate based on available information.

*[Drafting Note – Most workers compensation pools are single contract types. In this case you would not prepare the RSI Schedule “Reconciliation of Claims Liabilities by Type of Contract.”]*

*[Drafting guidance - If pool is NOT a single contract type, an RSI schedule is required in addition to note disclosure below:* Changes in the aggregate liabilities by contract may be found in the *Required Supplementary Schedules* to these financial statements.]

The following represents changes in those liabilities for the *[Cooperative–Pool]* during the past two years:

|  | For the Year Ended August 31, 20CY | For the Year Ended August 31, 20PY |
| --- | --- | --- |
| Unpaid claims and claim adjustment expenses at beginning of year | $ | $ |
|  |  |  |
| Incurred claims and claim adjustment expenses: |  |  |
| Provision for insured events of current year | $ | $ |
| Increases (decreases) in provision for insured events of prior years |  |  |
| Total incurred claims and claim adjustment expenses |  |  |
|  |  |  |
| Payments: |  |  |
| Claims and claim adjustment expenses attributable to insured events of current year |  |  |
| Claims and claim adjustment expenses attributable to insured events of prior years |  |  |
|  Total Payments |  |  |
|  |  |  |
| Total unpaid claims and claim adjustment expenses at end of year | $ | $ |

###

### Risk Financing Limits

The *[Cooperative–Pool]* retains responsibility for the payment of claims within specified self-insured retention limits prior to the application of coverage provided by excess insurance contracts. For the fiscal year ended August 31, 20CY, the *[Cooperative’s–Pool’s]* per occurrence self-insured retention limit is $\_\_\_\_\_\_\_\_\_\_. There is a $\_\_\_\_\_\_\_\_\_\_\_ member deductible.

### Reinsurance

The *[Cooperative–Pool]* maintains an excess insurance contract with an insurance carrier to provide coverage over the *[Cooperative’s–Pool’s]* self-insured retention limits. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the *[Cooperative–Pool]* as direct insurer of the risks reinsured. The *[Cooperative–Pool]* does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers.

For the fiscal year ended August 31, 20CY, [name of company] provided an excess insurance policy with a self-insured retention of $\_\_\_\_\_\_\_\_\_\_\_ and an aggregated stop loss of $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

The District records liabilities net of reinsurance premiums based on operating practice with the reinsurer who pays all reinsurance claims directly. The District’s reinsurance premiums paid during the year were $ \_\_\_\_\_\_\_\_\_\_\_. Reinsurance paid $ \_\_\_\_\_\_\_\_\_\_ in claims during the year.

*[Note to Preparer: If re-insurer (i.e. WSRMP) pays the reinsurance claims directly without flowing through the District’s insurance pool, that amount paid must still be disclosed above as reinsurance paid.]*

### Exemption from Federal and State Taxes

Pursuant to revenue ruling number 90-74, income of municipal risk pools is excluded from gross income under IRC Section 115(1). RCW 51.14 exempts the *[Cooperative–Pool]* from insurance premium taxes, and business and occupation taxes imposed pursuant to RCW 82.04.

## Unemployment Compensation Risk Pool

***[For those ESDs operating Unemployment Pools]***

The District operates a self-funding, claims control and risk management fund for unemployment claim liabilities of member school districts and educational service districts. The Unemployment Compensation Pool is organized pursuant to RCW 50.44 for the purpose of managing unemployment compensation payroll taxes and employee claims and providing employer representation, as needed. An agreement to form a pooling arrangement was made pursuant to the provisions of RCW 39.34, the Interlocal Cooperation Act. The *[Cooperative–Pool]* was formed on \_\_\_\_\_\_\_\_\_ to pool self-insured losses and jointly purchase administrative services. [Number of participating members] have joined the *[Cooperative–Pool]****.*** The District is also a member of the *[Cooperative–Pool]* (see Note 9).

### Member Assessments, Unearned Member Assessments and Credits

Member assessments are collected in advance and recognized as revenue in the period for which pooled risk protection is provided. The assessment is calculated based on \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

The interlocal governmental agreement provides for assessments to members based on actual claim experience. The agreement further provides that assessments are made in the aggregate and may be held to credit against future assessments in circumstances of a surplus fund balance. (During fiscal year 20CY, the *[Cooperative–Pool]* did not make a supplemental assessment for claims experience. OR In 20CY, the *[Cooperative–Pool]* recorded supplemental assessments of $\_\_\_\_\_\_\_\_\_\_, pursuant to this provision.) (In addition, during 20PY, prior year supplemental assessments were reduced by $\_\_\_\_\_\_\_\_\_\_.)

### Unpaid Claims

Claim reserves represent the accumulation of estimates for reported, unpaid claims, and a provision for claims incurred, but not reported. These estimates are continually reviewed and updated, and any resulting adjustments are reflected in current earnings.

### Reserve for Unallocated Loss Adjustment Expenses

The reserve for unallocated loss adjustment expenses represents the estimated cost to be incurred with respect to the settlement of claims in process and claims incurred but not reported. Management estimates this liability at the end of each year based upon claims reports received from the Washington State Employment Security Department. The change in the liability each year is reflected in current earnings.

### Unpaid Claim Liabilities

The *[Cooperative–Pool]* establishes claims liabilities based on actuarially derived estimates of the ultimate cost of claims, including future claim adjustment expenses, that have been reported but not settled, and claims that have been incurred but not reported. The process used in computing claims liabilities does not necessarily result in an exact amount as it is based on assumption factors. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

The *[Cooperative–Pool]* establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses, both allocated and unallocated. As of August 31, 20CY, the amount of liabilities totaled $\_\_\_\_\_\_\_\_\_\_\_\_. This liability is the District’s best estimate based on available information.

*[Drafting guidance – Most unemployment compensation pools are single contract types. In this case you would* ***not*** *prepare the RSI Schedule “Reconciliation of Claims Liabilities by Type of Contract.”]*

*[Drafting guidance - If pool is NOT a single contract type, an RSI schedule is required in addition to note disclosure below:* Changes in the aggregate liabilities by contract may be found in the *Required Supplementary Schedules* to these financial statements.]

The following represents changes in those liabilities for the *[Cooperative–Pool]* during the past two years:

|  | For the Year Ended August 31, 20CY | For the Year Ended August 31, 20PY |
| --- | --- | --- |
| Unpaid claims and claim adjustment expenses at beginning of year | $ | $ |
|  |  |  |
| Incurred claims and claim adjustment expenses: |  |  |
| Provision for insured events of current year | $ | $ |
| Changes in provision for ULAE |  |  |
| Total incurred claims and claim adjustment expenses |  |  |
|  |  |  |
| Payments: |  |  |
| Claims and claim adjustment expenses attributable to insured events of current year |  |  |
| Claims and claim adjustment expenses attributable to insured events of prior years |  |  |
|  Total Payments |  |  |
|  |  |  |
| Total unpaid claims and claim adjustment expenses at end of year | $ | $ |

### Risk Financing Limits

The *[Cooperative–Pool]* is self-insured for all claims and does not purchase excess insurance. Through a combination of net position designated as of August 31, 20PY and member contributions earned as of August 31, 20CY, theboard of directors of the *Cooperative–Pool]* committed net assets of $\_\_\_\_\_\_\_\_\_\_\_\_\_ specifically for the purpose of funding future claim costs.

### Exemption from Federal and State Taxes

Pursuant to revenue ruling number 90-74, income of municipal risk pools is excluded from gross income under IRC Section 115(1). RCW 50.44 exempts the *[Cooperative–Pool]* from insurance premium taxes, and business and occupation taxes imposed pursuant to RCW 82.04.

# Note 12: NET POSITION

## Restricted Net Position

The District’s Statement of Net Position reports $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of restricted net position as of August 31, 20CY:

| **Program Description** | **Restricted By** | **Amount** |
| --- | --- | --- |
|  |  | $ |
|  |  |  |
|  |  |  |
|  |  |  |
| Total Restricted Net Position |  | $ |

*[Drafting guidance: Required to disclose why the balance is eligible for restriction; i.e., by enabling legislation, contractual agreement, loan proceeds, etc. See BARS GAAP Manual for further guidance in Reporting / Notes to Financial Statements / Note x Restricted Component of Net Position,* <https://sao.wa.gov/bars_gaap/reporting/notes-to-financial-statements/note-x-restricted-component-of-net-position/> *]*

## Joint Venture

*[Note to preparer – include this paragraph here if the joint venture is in a positive net position and reflected as restricted balance on the face of the Statement of Net Position. If negative position (unrestricted), then delete this section.]*

The District is a member of a joint venture for the provision of information processing services. The District’s interest in the joint venture of $\_\_\_\_\_\_\_\_ is reported as a restricted position on the Statement of Net Position. See Note 13 for further disclosure regarding the joint venture.

*[If restricted net position for self-insurance, add expanded disclosure here, including the applicability of the restricted net position classification.]*

*[If restricted net position is for bond proceeds not yet spent for intended purpose, add expanded disclosure here.]*

## Unrestricted Net Position

*[Optional disclosure area to include detail of unrestricted position reported – this is a good place to be able to de-lineate the portion of the unrestricted position attributable to pension and OPEB liabilities, loss in joint venture or other significant unrestricted positions.]*

The District’s Statement of Net Position reports $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of unrestricted net position as of August 31, 20CY:

| **Unrestricted Net Position** | **Amount** |
| --- | --- |
|  | $ |
|  |  |
|  |  |
|  |  |
| Total Unrestricted Net Position | $ |

# Note 13: CUSTODIAL FUNDS

*[Districts would provide disclosures regarding custodial funds* ***if they felt expanded discussion was warranted****. Otherwise, disclosure is fully contained in Note 1-Accounting Policies Refer to BARS GAAP manual for further disclosure/ reporting guidance]*

## Compensated Absences

*[Disclosure item for those ESDs administering Compensated Absence Fund for their participating Districts if they wish to highlight in this note. For those ESDs, their share of that liability should be reported in their Operating Fund activity and not in the Compensated Absence Custodial Fund activity.]*

The Compensated Absences Custodial Fund is organized under provisions of Chapter 39.34 Interlocal Cooperation Act for the purpose of managing leave payouts. Membership is established by execution of an agreement between the District and each local school district.

For the fiscal year ended August 31, 20CY, there are *[#]* members in the Fund including *[#]* participating school districts. The Fund allows members to accumulate dedicated funds for payment of leave related to sick leave and vacation leave buy out at retirement and certain other instances. Payroll contributions are made to the Fund at the time leave is earned to reserve assets for expenses. Coverage is on an “occurrence” basis. Leave taken by current employees is recorded as an expense when paid.

# Note 14: INVESTMENT IN JOINT VENTURE

## Washington School Information Processing Cooperative (WSIPC)

The District is a member of WSIPC. The WSIPC Board of Directors consists of a member from each of the nine educational service districts (ESDs) in the state, sharing equally in the joint venture. Educational Service District No. 123 is the fiscal agent of the joint venture and answers directly to the WSIPC Board of Directors in financial matters.

The District’s share of the total investment in the joint venture is $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and is reported on the Statement of Net Position as a noncurrent asset. Under the terms of the “*Amended and Restated Interlocal Cooperative Agreement for the Washington School Information Processing Cooperative*”, dated January 18, 2012, contributions made by any of the participating ESDs to WSIPC remain in WSIPC, should an ESD terminate its membership. Terminating members remain fully liable for all obligations incurred, known and unknown, as of the effective date of termination, in the event WSIPC is not able to fully pay or satisfy the obligation. In the event the joint venture is dissolved, all assets shall be liquidated to pay any remaining liabilities. In the event assets or funds remain after payment of all liabilities and current expenses, remaining assets or funds shall be proportionately divided between currently participating ESDs at the time of the dissolution, based upon the percentage of total local user and related fees generated by each during the one-year period prior to the dissolution. In the event assets or funds are not sufficient to pay all liabilities and current expenses, the remaining liabilities shall be divided equally between currently participating ESDs at the time of the dissolution.

The District contributed $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to the joint venture during fiscal year and there were no distributions in fiscal year 20CY. OR There were no contributions to, or distributions from, the joint venture in fiscal year 20CY. During fiscal year ending August 31, 20CY, the District paid $ \_\_\_\_\_\_\_\_\_\_\_ to WSIPC in fees for cooperative services rendered.

The total investment in the joint venture, includes WSIPC’s share of the net pension (asset) or liability *[one or the other]* for participation in Washington’s Department of Retirement System pension plans. The District’s share of net investment in the joint venture is impacted by the components of the pension (asset) or liability by $\_\_\_\_\_\_\_\_\_\_\_\_\_\_. WSIPC employees participate in the Washington State retirement system; WSIPC is required to recognize their proportionate share of the individual plans’ net pension (asset) or liability and related component measures under generally accepted accounting principles. WSIPC’s financial statements include the proportionate share of the net pension (asset) or liability associated with Public Employees’ Retirement System (PERS) plans. General disclosures regarding the Washington State retirement system and pension accounting may be found in the DRS annual comprehensive financial report (obtained at: Washington State Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or online at <https://www.drs.wa.gov>). Specific disclosures for the PERS plan may be found in the notes to WISPC’s financial statements.

The total investment in the joint venture, includes WSIPC’s share of the Total OPEB (other post-employment benefits) liability for post-retirement benefits provided through the Washington State Health Care Authority. The District’s share of net investment in the joint venture is impacted by the components of the Total OPEB Liability by $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. WSIPC has implemented generally accepted accounting principles for OPEB. WSIPC’s Total OPEB Liability and the related component measures were determined through an actuarial valuation consistent with the actuarial valuation method used by the nine member ESDs. General disclosures regarding the OPEB plan administered by the Washington State Health Care Authority for employer participants may be found at <http://leg.wa.gov/osa/additionalservices/Pages/OPEB.aspx>. Specific disclosures for WSIPC’s plan participation may be found in the notes to WSIPC’s financial statements.

The change in net position for the District’s share in the joint venture from fiscal year 20PY to 20CY is $\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and has been reported on the Statement of Revenues, Expenses and Changes in Fund Net Position as nonoperating revenue or expense. The Net Investment in Joint Venture balance in the Statement of Net Position is a restricted net position (see Note 11). *OR* The Net Investment in Joint Venture balance in the Statement of Net Position has been recognized as an unrestricted net position due to the loss position of the joint venture investment.

Financial statements for the joint venture may be obtained by contacting WSIPC at 2121 West Casino Road, Everett WA 98204-1472.

# Note 15: INTERFUND BALANCES AND TRANSFERS

The Operating Fund of the District is the primary fund for processing certain financial transactions and providing management services to other funds of the District. Balances paid for by the Operating Fund as a practical matter for managing daily financial transactions on behalf of other funds, or incurred by the Operating Fund for management services, are reimbursed through due to/due from entries each month.

Interfund balances are generally settled within thirty days; outstanding balances as of August 31, 20CY are expected to be settled within thirty days, and not more than one year from the date of the financial statements.

Interfund balances due from other funds to the Operating Fund as of August 31, 20CY are as follows:

|  |  |  |
| --- | --- | --- |
|  |  | **Due From** |
|  |  | Operating Fund | XA Fund | XB Fund | XC Fund | All Others | Total |
| **Due To** | Operating Fund |  |  |  |  |  |  |
| XA Fund |  |  |  |  |  |  |
| XB Fund |  |  |  |  |  |  |
| XC Fund |  |  |  |  |  |  |
| All Others |  |  |  |  |  |  |
| Total |  |  |  |  |  |  |

*[Note to Preparer – if you have interfund loans or advances expected to be outstanding greater than one year from the date of the financial statements, include the following paragraph; otherwise delete. Adjust wording as needed for the specific arrangement.]*

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either interfund loans receivable/payable or advances to/from other funds. As if August 31, 20CY $\_\_\_\_\_\_\_\_\_\_ due to the Operating Fund from the \_\_\_\_\_\_\_\_\_\_\_\_\_ Fund is considered an interfund loan. Payment terms for the loan are \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.]

*[Note to Preparer – include the table and notes below for all interfund transfer(s) during the year (transfers of resources, not payment for services are in this category).*  *Provide a general description of the principle purpose of the government’s interfund transfers. Provide a detailed description of the purpose for significant 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.*

*Provide a detailed description of the purpose for significant interfund transfers. Aggregate immaterial transfers.*

Interfund transfers for the purposes described above for the year ended August 31, 20CY, were as follows:

|  |  |  |
| --- | --- | --- |
|  |  | **Transfer From** |
|  |  | Operating Fund | XA Fund | XB Fund | XC Fund | All Others | Total |
| **Transfer To** | Operating Fund |  |  |  |  |  |  |
| XA Fund |  |  |  |  |  |  |
| XB Fund |  |  |  |  |  |  |
| XC Fund |  |  |  |  |  |  |
| All Others |  |  |  |  |  |  |
| Total |  |  |  |  |  |  |

# Note 16: JOINTLY GOVERNED ORGANIZATIONS-COMPONENT UNITS & RELATED PARTY TRANSACTIONS

## Related Party Transactions

*If a district is engaged in significant related party transactions other than normal transactions conducted in the ordinary course of operations, the notes should disclose these details. Disclosure should include; the nature of the relationship(s) involved, a description of the transactions (including amounts), and amounts due from or to related parties as of the end of the school year. Refer to BARS GAAP Manual for further guidance at Reporting / Notes to Financial Statements / Note x – Related Party Transactions, https://sao.wa.gov/bars-annual-filing/bars-gaap-manual/reporting/notes-financial-statements/note-x-related-party-transactions*]

## Component Units

*Certain organizations should be included in the district’s financial statements and/or notes because of the nature and significance of their relationship with the District. Refer to BARS GAAP Manual, Reporting, Notes to Financial Statements / Note x – Major Component Units for further guidance,* <https://sao.wa.gov/bars_gaap/reporting/notes-to-financial-statements/note-x-major-component-units/>. An example of an organization that an ESD may need to evaluate as to whether it is a component unit is a fundraising foundation.]

# Note 17: CONTINGENCIES AND LITIGATIONS

***Notes to preparer:***

*To keep the financial statements from being misleading, it may be necessary to disclose information regarding a loss contingency that did not exist at the date of financial statement, but was available after the date of financial statement and before their issuance. Litigation is one (prevalent) type of contingency. Refer to BARS GAAP Manual for further information regarding contingency and litigation disclosure, found in Reporting/ Notes to Financial Statements / Note x – Contingencies and Litigations,* <https://sao.wa.gov/bars-annual-filing/bars-gaap-manual/reporting/notes-financial-statements/note-x-contingencies-and-litigations>

The District has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that the District will be required to make payment. In the opinion of management, the District’s insurance policies and reserves are adequate to pay all known or pending claims.

The District participates in a number of federal- and state-assisted programs. These grants are subject to audit by the grantors or their delegated representatives. Such audits could result in reimbursement to grantor agencies for expenses disallowed under the terms of the grants. Management believes that such disallowances, if any, would be immaterial.

# Note 18: OTHER DISCLOSURES

## Stewardship, Compliance, and Accountability

There have been no material violations of finance-related legal or contractual provisions. *If there are violations, see BARS GAAP Manual reference:* <https://sao.wa.gov/bars_gaap/reporting/notes-to-financial-statements/note-x-violation-of-finance-related-legal-and-contractual-provisions/>

## Prior Period Adjustments

*No sample text provided. Adjustments related to prior periods (and thus excluded from the operating statements for the current period) are limited to: (a) corrections of material errors in the financial statements of a prior period; and (b) in government-wide and enterprise funds only, other material adjustments which meet the criteria for prior period adjustments contained in GASB pronouncements. The circumstances and justification surrounding each such adjustment should be separately explained in these footnotes. Refer to BARS GAAP Manual for further guidance:*

<https://sao.wa.gov/bars-annual-filing/bars-gaap-manual/reporting/notes-financial-statements/note-x-prior-period-adjustments>

## Accounting and Reporting Changes

*No sample text provided. Include implementation of new GASB standards, changes in accounting principles, (material) estimates, for example. The circumstances surrounding each such change should be separately explained. See BARS GAAP Manual for further guidance:* <https://sao.wa.gov/bars-annual-filing/bars-gaap-manual/reporting/notes-financial-statements/note-x-accounting-and-reporting-changes>

## Extraordinary and Special Items

*Extraordinary items are events and transactions that are distinguished by their unusual nature and by the infrequency of their occurrence. Thus, both of the following criteria should be met to classify an event or transaction as an extraordinary item:*

*a. Unusual nature ‑ the underlying event or transaction should possess a high degree of abnormality and be of a type clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the entity.*

*b. Infrequency of occurrence ‑ the underlying event or transaction should be of a type that would not reasonably be expected to recur in the foreseeable future.*

*Special items are significant items subject to management’s control that meet one but not both of the criteria used for identifying extraordinary items.*

*Descriptive captions and the amounts for individual extraordinary/special events or transactions should be presented, preferably on the face of the financial statement, if practicable; otherwise disclosure in related notes is acceptable. The nature of an extraordinary/special event or transaction and the principal items entering into the determination of an extraordinary gain or loss should be described.*

*No sample text provided. See BARS GAAP Manual for further guidance:*

[*https://sao.wa.gov/bars-annual-filing/bars-gaap-manual/reporting/notes-financial-statements/note-x-extraordinary-andor-special-items*](https://sao.wa.gov/bars-annual-filing/bars-gaap-manual/reporting/notes-financial-statements/note-x-extraordinary-andor-special-items)

## Related Party Transactions

*Disclosed in Note 15—if not material for own Note placement, add that disclosure here and delete Note 15. Otherwise ignore this subheading in this note guidance.*

## Subsequent Events

*Certain events that occur between the date of the financial statements and the date they are issued must be disclosed. There are two ways that subsequent events may affect the financial statements: (1) recognized events – they require adjustment to the financial statement; and (2) non-recognized events – they may require disclosure in the notes to financial statements. For further guidance, refer to the BARS GAAP Manual at* <https://sao.wa.gov/bars-annual-filing/bars-gaap-manual/reporting/notes-financial-statements/note-x-subsequent-events>.

*Examples of events that may require subsequent disclosure are significant change in financial condition/bankruptcy, significant loss due to disaster incident, issuance of new debt, significant property acquisition, significant change in legislation impacting authority/operations of the District, etc.*

## COVID-19 Pandemic

*[****NOTE TO PREPARER:*** *CV19 note disclosure is required in FY23 ONLY if there is a direct and significant impact. For example, if the District received significant federal funds for pandemic impact relief. The impact can be positive or negative. If there is no impact to report, the disclosure may be deleted.]*

In February 2020, Governor Inslee declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, canceling public events, limiting gathering sizes, and requiring people to stay home unless they were leaving for an essential function. On April 6, 2020, the Governor closed all public and private K–12 school buildings throughout the remainder of the 2019–20 school year. Many precautionary measures remained in place through the 2021-22 school year.

The direct and indirect impacts of operations of the District are summarized below: *[Briefly describe operational changes. Include information about actual or potential* ***financial or operational impacts*** *on the district for 2022-23, and management's plans or actions to address the situation, to the extent known. Direct financial impacts should be specifically addressed (such as federal money received). Indirect financial impacts should also be specifically addressed (revenue loss).]*

***NOTE TO PREPARER:*** *If the District has significant amounts of federal funding related to the pandemic (ARPA, CARES funds, etc.) in unearned revenue, the District should further disclose the following:* The District reported $\_\_\_\_\_\_\_\_\_\_\_\_ in {insert federal pandemic funds name} in unearned revenue and anticipates recognizing these funds as revenue within {insert time frame here}.*]*

*[No example situations are provided. The District should work with the ESDs/OSPI/SAO notes template workgroup on language if they have a specific situation that should be disclosed.]*

The length of time these measures will be in place, and the full extent of the financial impact on the district, is unknown at this time.

## Going Concern

*No sample text provided. Addresses uncertainty regarding future financial condition of the District. Refer to BARS GAAP Manual for further guidance at* <https://sao.wa.gov/bars-annual-filing/bars-gaap-manual/reporting/notes-financial-statements/note-x-going-concern>.

## Termination Benefits

*No sample text provided. Provided by employers to employees as an inducement to hasten the termination of services, or through voluntary termination, or a consequence of involuntary termination. May include severance pay, continued benefit coverage, career counseling and outplacement services. Refer to BARS GAAP Manual for further guidance at* <https://sao.wa.gov/bars_gaap/reporting/notes-to-financial-statements/note-x-termination-benefits/>.

## Public-Private and Public-Public Partnerships (Operator and/or Transferor)

*No sample text provided. There are disclosure requirements if a government participates in this arrangement. If an ESD has this type of arrangement, please contact SAO directly for assistance*.

## Other

*No sample text provided. Refer to BARS GAAP Manual for guidance on unique and unusual transactions:* <https://sao.wa.gov/bars_gaap/reporting/notes-to-financial-statements/note-x-unique-and-unusual-transactions/>