OTHER COMPREHENSIVE BASIS OF ACCOUNTING (OCBOA) CASH BASIS NOTES TO THE FINANCIAL STATEMENTS

Table of Contents

This page left blank intentionally.

____
(Name of School District)
Notes to Financial Statements ①
September 1, 200X Through August 31, 200X

Note 1 Summary of Significant Accounting Policies

a. Reporting Entity

The ______________________________School District is a municipal corporation organized pursuant to Title 28A *Revised Code of Washington* (RCW) for the purpose of providing public school services to students in Grades K–12. Oversight responsibility for the district's operations is vested with the independently elected board of directors. Management of the district is appointed by and is accountable to the board of directors. Fiscal responsibility, including budget authority and the power to set fees, levy property taxes, and issue debt consistent with provisions of state statutes, also rests with the board of directors.

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

b. Basis of Presentation—Fund Accounting

The district reports on cash basis of accounting pursuant to RCW 28A.505.020, which permits districts with less than one thousand full time equivalent students for the preceding fiscal year to make a uniform election of cash basis accounting for all funds, except debt service. The accounts of the district are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its fund equity, revenues, and expenditures (or expenses)③, as appropriate. (Refer to Note 1.c. for Basis of Accounting.) The various funds in the report are grouped into governmental (and fiduciary funds)④ as follows:

GOVERNMENTAL FUNDS

General Fund

This fund is the general operating fund of the district. It accounts for all expendable financial resources, except those required to be accounted for in another fund.

Capital Projects Funds

This fund type accounts for financial resources to be used for the construction or purchase of major capital assets. It consists of the Capital Projects Fund and the Transportation Vehicle Fund.

Capital Projects Fund. This fund is used to account for resources set aside for the acquisition and construction of capital assets.

Transportation Vehicle Fund. This fund is used to account for the purchase, major repair, rebuilding, and debt service expenditures related to pupil transportation equipment.

Debt Service Fund

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

Special Revenue Funds

This fund type accounts for the proceeds of specific revenue sources legally restricted for specific purposes. The Associated Student Body Fund is the only fund of this type. This fund is accounted for as a special revenue fund since the financial resources legally belong to the district.

Permanent Funds

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

FIDUCIARY FUNDS ④

Trust funds are used to account for assets held by the district in a trustee or agency capacity. Fiduciary funds include pension (or other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds.

Private-Purpose Trust Fund. This fund is used to account for resources legally held in trust where principal and income benefit individuals, private organizations, or other governments.

Pension [and Other Employee Benefit] Trust Fund. This fund is used to account for resources held in trust for the members and beneficiaries of pension plans or other employee benefit plans.

Agency Funds. These funds are used to account for assets that the district holds for others agencies in a custodial capacity.

c. Basis of Accounting

The basis of accounting refers to when revenues and expenditures (or expenses) ② are recognized in the accounts and reported in the financial statements.

The district's accounting policies, as reflected in the accompanying financial statements, conform to the *Accounting Manual for Public School Districts in the State of Washington* for cash basis districts. The publication was issued jointly by the State Auditor and the Superintendent of Public Instruction by the authority of RCW 43.09.200, RCW 28A.505.140, RCW 28A.505.010(1), and RCW 28A.505.020. This manual allows for practices that differ from generally accepted accounting principles in the following manner:

(1) Revenues are recognized when they are received in cash, rather than when measurable and available. Expenditures are recognized when warrants are issued rather than when expenditures are incurred.

(2) The cost of supplies and materials is recorded as an expenditure at the time the inventory item is purchased rather than when consumed.

(3) Districtwide statements are not presented.

(4) The financial statements do not report capital assets.

(5) Debt is not reported on the face of the financial statements. It is reported in the notes to the financial statements and on the Schedules of Long-Term Debt. The Schedule of Long-Term Debt is required supplemental information.

(6) The original budget is not presented but is available at the Office of Superintendent of Public Instruction.

(7) Management Discussion and Analysis is not presented.

d. Budgetary Data

General Budgetary Policies

Chapter 28A.505 RCW and Chapter 392-123 *Washington Administrative Code* (WAC) mandate school district budget policies and procedures. The board adopts the budget after a public hearing. An appropriation is a prerequisite to expenditure. Appropriations lapse at the end of the fiscal period.

Budgetary Basis of Accounting

For budget and accounting purposes, revenues and expenditures are accounted for on a cash basis as allowed in law for all governmental funds. Fund balance is budgeted as available resources and pursuant to law, and the budgeted ending fund balance cannot be negative.

e. Deposits and Investments

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

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

The district's deposits are covered entirely by federal depository insurance or by collateral held by the district's custodial banks in the district's name. The district's cash on deposit balance with the county was $__________________ (and $________________)⑥ as of August 31, 200X (and 200X-1 respectively).⑥

Statutes authorize the district to invest in (1) securities, certificates, notes, bonds, short-term securities, or other obligations of the United States and (2) deposits in any state bank or trust company, national banking association, stock savings bank, mutual savings bank, savings and loan association, and any branch bank engaged in banking in the state in accordance with RCW 30.04.300 if the institution has been approved by the Public Deposit Protection Commission to hold public deposits and has segregated eligible collateral having a value of not less than its maximum liability. The county treasurer had $____________________ (and $_______________)⑥ invested on behalf of the district as of August 31, 200X (and 200X-1 respectively).⑥

f. Inventory

The cost of supplies and materials is recorded as an expenditure at the time the inventory item is purchased. (For donated USDA commodities inventory a beginning and ending inventory is kept to meet federal requirements. The district USDA ending inventory is valued at $__________________(and $____________________)⑥ as of August 31, 200X (and 200X respectively)⑥.)⑦

g. Property Taxes

Property tax revenues are collected as the result of special levies passed by the voters in the district. Taxes are levied on January 1.

h. Compensated Absences

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

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

District obligation for vested sick leave at August 31, 200X (and 200X-1,⑥ amounts to $____________________(and $____________________ respectively).⑥

Vested sick leave for employees eligible for retirement is recorded as long-term debt liabilities. These expenditures are recorded when paid, except termination sick leave that is accrued upon death or retirement. Vested sick leave was computed using the (termination payment method, vesting method)②. *(Note: if you have computed your estimate for vested sick leave using a methodology other than the termination or vesting methods discussed in GASB 16, please include a brief description of the methodology used.)*

(Employees earn sick leave at a rate of ____ days per year up to a maximum of one contract year. The district has not adopted the buy out provisions for sick leave as authorized under RCW 28A.400.210. As such, no liability exists for buy out of sick leave.)⑤

(Unpaid vacation leave liability at August 31, 200X (and 200X-1), ⑥ amounts to $____________________(and $____________________ respectively). ⑥) ⑤

(No liability exists for other employee benefits.) ⑤

Note 2 Self-Insurance—Security Deposit ⑤

(The money the district places in escrow as a condition of self-insuring with the Washington State Department of Labor and Industries is reported in this account. As of August 31, 200X (and 200X-1) ⑥, the district self-insurance security deposit balance was $__________________ (and $__________________ respectively). ⑥)

Note 3 Capital Assets

The district's capital assets are insured in the amount of $_________________ (and $________________) ⑥ for fiscal 200X (and 200X-1 respectively). ⑥ In the opinion of the district's insurance consultant, this amount is sufficient to adequately fund replacement of the district's assets.

Note 4 Pensions

a. General Information

Substantially all ______________________ School District full-time and qualifying part-time employees participate in one of the following three contributory, multi-employer, cost-sharing statewide retirement systems managed by the Washington State Department of Retirement Systems (DRS): Teachers' Retirement System (TRS), Public Employees' Retirement System (PERS) and School Employees' Retirement System (SERS). Participation in the programs was as follows:

Membership by retirement system program as of September 30, 200X:

Program	Active Members	Inactive Vested Members	Retired Members
TRS	x,xxx	x,xxx	x,xxx
PERS	x,xxx	x,xxx	x,xxx
SERS	x,xxx	x,xxx	x,xxx

Certificated public employees are members of TRS. Noncertificated public 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. Plan 1 members are eligible to retire with full benefits after five years of credited service and attainment of age 60, after 25 years of credited service and attainment of age 55, or after 30 years of credited service.

Plan 2 under the TRS or SERS programs are defined benefit pension plans whose members joined on or after October 1, 1977, but before June 30, 1996, or August 31, 2000, for TRS or SERS programs, respectively. Members of TRS and SERS are eligible to retire with full benefits after five years of credited service and attainment of age 65 or after 20 years of credited service and attainment of age 55 with the benefit actuarially reduced from age 65.

Plan 3 under the TRS and SERS programs are defined benefit, defined contribution pension plans whose members joined on or after July 1, 1996, or September 1, 2000, for TRS and SERS, respectively. Members are eligible to retire with full benefits after five years of credited service and attainment of age 60 or after ten years of credited service and attainment of age 55 with the benefit actuarially reduced from age 65.

Average final compensation (AFC) of Plan 1 TRS and PERS members is the highest average salary during any two consecutive years. For Plan 2 and Plan 3 TRS and SERS members, it is the highest average salary during any five consecutive years.

The retirement allowance of Plan 1 TRS and PERS members is the AFC multiplied by 2 percent per year of service capped at 60 percent with a cost-of-living adjustment. For Plan 2 TRS and SERS members, it is the AFC multiplied by 2 percent per year of service with provision for a cost-of-living adjustment. For the defined benefit portion of Plan 3 TRS and SERS it is the AFC multiplied by 1 percent per year of service with a cost-of-living adjustment.

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 advice from the Office of the State Actuary. The employee contribution rate for Plan 1 in PERS and TRS is set by statute at 6 percent and does not vary from year to year. The employer rate is the same for all plans in a system. The methods used to determine the contribution requirements are established under chapters 41.40, 41.32, and 41.35 RCW for PERS, TRS, and SERS respectively.

The district contribution represents its full liability under both systems, except that future rates may be adjusted to meet the system needs.

b. Contributions

Employee contribution rates as of August 31, ____:

Plan 1 TRS	____%	Plan 1 PERS	____%
Plan 2 TRS	____%	Plan 2 SERS	____%
Plan 3 TRS and SERS	5.00% (minimum),	15.00% (maximum)	

For Plan 3 TRS and SERS, rates adjusted based upon age may be chosen. The optional rates range begins at 5 percent and increase to a maximum of 15 percent.

Employer contribution rates as of August 31, ____:

Plan 1 TRS	_____%	Plan 1 PERS	____%
Plan 2 TRS	_____%	Plan 2 SERS	____%
Plan 3 TRS	_____%	Plan 3 SERS	____%

Under current law the employer must contribute 100 percent of the employer-required contribution. Employer required contributions in dollars (Participant information for all plans is as of September 30):

Plan	FY	FY	FY
Plan 1 TRS	$____________	$____________	$______________
Plan 2 TRS	$____________	$____________	$______________
Plan 3 TRS	$____________	$____________	$______________
Plan 1 PERS	$____________	$____________	$______________
Plan 2 SERS	$____________	$____________	$______________
Plan 3 SERS	$____________	$____________	$______________

Historical trend information showing TRS, PERS, and SERS progress in accumulating sufficient assets to pay benefits when due is presented in the state of Washington's June 30, 200X, comprehensive annual financial report. Refer to this report for detailed trend information. It is available from:

State of Washington
Office of Financial Management
300 Insurance Building
PO BOX 43113
Olympia, WA 98504-3113

(For smaller school districts that are audited by the State Auditor's Office on a two-year cycle, information is required for both years being examined. For the notes, which will be included in the two-year audit report, include the information in parentheses.)

Note 5 Construction and Other Significant Commitments ⑤

(Describe circumstances.)

Construction in progress is composed of:

Project	Project Authorization Amount	Expended as of 8/31/0X	Additional Local Funds Committed	Additional State Funds Committed
Total				

Note 6 Risk Management ⑤

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

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

(District participates in an insurance pool.)

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

(District buys commercial insurance.)⑤

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

(District is self-insured.)⑤

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

At August 31, 200X , the amount of liabilities was $____________. This liability is the district's best estimate based on available information. Changes in the reported liability since August 31, ____ 200X-1, resulted in the following:

	9/1/200X-1 Liability	Current Year Claims and Changes in Estimates	Claim Payments	8/31/200X Balance
(Prior Year)				
(Current Year)				

(Included in the August 31, 200X, balance are claims of $___________, representing losses for which the lowest amount in a range of probable losses has been accrued because no amount with that range is a better estimate of loss. The district estimates that those losses could be as high as $_____________.)⑤

At August 31, 200X, General Fund investments of $__________ were held for purposes of funding the district's future claims liabilities. As a result, $____________ of General Fund balance is designated for payment of future claims liabilities.

Note 7 Debt and Lease Obligations⑤

(Provide description of lease arrangement [e.g., basis for determining contingent rental, renewal terms, purchase option, escalation clauses, restrictions, nature and extent with related parties]. Show the minimum principal and interest payments for the next five years and in five-year increments thereafter for capital and non-cancelable operating leases.)

Debt service requirements at August 31, 20XX, were as follows:

Year Ended August 31, 20XX	General Obligation Bonds Principal	Interest	*(Other)* Principal	Interest
20X+1				
20X+2				
20X+3				
20X+4				
20X+5				
20X+6–20X+10				
20X+11–20X+15				
etc.				
Total	======	======	======	======

Interest on variable-rate *(describe what the interest is on)*_ is paid at_ *(describe basis)*___.

Obligations of governmental activities under capital leases at August 31, 20XX, were as follows:

20X+1				
20X+2				
20X+3				
20X+4				
20X+5				
20X+6–20X+10				
20X+11–20X+15				
etc.				
Total	======	======	======	======

Note 8 Debt ⑤

Long-Term Debt

(Describe bond issues: Amount issued, date of issue, annual redemption, interest rate, and amount outstanding at August 31.)

Bonds payable at August 31, 200X, are comprised of the following individual issues:

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

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

The following is a summary of general obligation long-term debt transactions of the district for the year (two years)⑥ ended August 31, 20XX.

Long-Term Debt Payable at 9/1/200X-1	
New Issues	
Debt Retired	
Long-Term Debt Payable at 8/31/200X	

The following is a schedule of annual requirements to amortize long-term debt at August 31, 200X:

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

Years Ending August 31,	Principal	Interest	Total
20			
20			
20			
Total			

Or

(A schedule of annual requirements to amortize long-term bonded debt was not readily available.)⑤

At August 31, 200X (and 200X-1)⑥, the district had $____________________(and $____________________ respectively,)⑥ available in the Debt Service Fund to service the general obligation bonds.

(Bonds Authorized but un-issued)⑤

(Schedule bonds authorized but un-issued.)

(Refunded Debt)⑤

(In the year of advance refunding.)

(On ____________________, 20___, the district issued $_______ million in general obligation bonds with an average interest rate of ____ percent to advance refund $____ million of outstanding 20___ series bonds with an average interest rate of ____ percent. The district advance refunded the 20___ series bonds to reduce its total debt service payments over the next ___ years by $________ million and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $________ million.)

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

(Prior Year Defeasance of Debt)⑤

(In prior years, the district defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the district's financial statements. At August 31, 200X (and 200X-1),⑥ $________ million (and $_________ million respectively,)⑥ of bonds outstanding are considered defeased.)

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

	Beginning Balance	Issued	Redeemed	Ending Balance
(Purpose)				

Note 9 Interfund Loans⑤

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

The following table depicts loan activity:

Debtor Fund	Due To	Balance at 9/1/X-1	Loan Activity		Balance at 8/31/0X
			New Loans	Repayments	
Totals					

Note 10 Summary of Significant Contingent Liabilities

(Describe the contingent liabilities or state that there were none at balance sheet date. Contingent liabilities that are both probable and the amount of the loss can be reasonably estimated should be accrued and disclosed with a description. A reasonably possible contingency should be disclosed with a description of the contingency and the range of possible amounts of gain or loss. Care should be used in disclosing gain contingencies not to mislead the reader. Remote possibilities should be disclosed if they relate to loss contingencies of guaranties, financing arrangements, or other similar obligations.)

Litigation

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

Or

(Describe the litigation that materially impacts the district.)

(Arbitrage Rebate)⑤

(The Tax Reform Act of 1986 requires the district to rebate the earnings on the investment of bond and revenue anticipation note proceeds, in excess of their yield, to the federal government. This requirement is effective for the district's __________ bonds issued after September 1, 1986, totaling $____________________ (and $_____________________),⑥ as of August 31, 200X (and 20XX-1 respectively)⑥ Of the rebate, 90 percent is due and payable five years from the date bonds were issued and at five-year intervals thereafter. The remaining 10 percent is payable 60 days after they are retired. Because positive arbitrage can be offset against negative arbitrage, the rebatable amount fluctuates each year and may or may not be owed at the payment intervals. Because of the uncertainty of having to make this payment, the district is contingently liable for arbitrage rebate currently computed to total $_____________________ (and $____________________),⑥ as of August 31, 20XX (and 20XX-1 respectively)⑥,.)

ESD 113 Insurance Cooperative⑤

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

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

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

Based on the EIC's April 2003 actuarial study by PricewaterhouseCoopers and current year-end EIC reports, the EIC does not hold sufficient assets to cover the estimated liabilities for which it is responsible. A member assessment is necessary to provide sufficient assets to adequately fund remaining EIC responsibilities.

It is both probable and reasonably estimated that the district may be liable for at least $__________ (current year actual assessment), or a possible assessment of $__________ (worst case assumption) over the next six years. Of this amount, $_________ is due in the

20XX—20XX fiscal year. The remainder is reported here as a contingent liability in the amount of $____________.

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

Note 11 Other Disclosures ⑤

(Identify other matters that should be disclosed, such as:)

The school district is a member of the King County Directors' Association (KCDA). KCDA is a purchasing co-op designed to pool the member districts' purchasing power. The Board authorized joining the association by passing Resolution _____ dated _______, 19__, and has remained in the joint venture ever since. The district's current equity of $_________ is the accumulation of the annual assignment of KCDA's operating surplus based upon the percentage derived from KCDA's total sales to the district applied against paid administrative fees. The district may withdraw from the joint venture and will receive its equity in ten annual allocations of merchandise or 15 annual payments.

Note 12 Subsequent Events

No events occurred after August 31, 20XX, that would have a material impact on the next or future years.

Or

(Describe significant events after the financial statement date, which materially impact the next and future years. Significant violations of finance-related legal or contractual provisions should discuss actions taken to address such violations.)

Instructions

① *Notes to financial statements are neither all-inclusive nor intended to replace professional judgment in determining disclosure necessary for fair presentation in the circumstances. Notes to financial statements should not be cluttered with unnecessary and immaterial disclosures. Materiality and particular circumstances must be considered in assessing the propriety of the notes to financial statements. Notes to financial statements provide necessary disclosure of material items, the omission of which would cause the financial statements to be misleading.*

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

③ *Reference to expenses is appropriate only if the district has trust funds, which are accounted for using the full accrual basis of accounting.*

④ *Reference to fiduciary funds is appropriate only if the district has trust and/or agency funds.*

⑤ *This note is appropriate if the district has the particular circumstance; for example, self-insurance deposits and/or liabilities, construction in progress, arbitrage rebate, etc.*

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

⑦ *Use information in parentheses if a single audit is required.*