

**OTHER COMPREHENSIVE BASIS OF ACCOUNTING MODIFIED  
ACCRUAL BASIS (F-196) NOTES TO THE FINANCIAL STATEMENTS**

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**(Name of School District)**  
**Notes to Financial Statements ①**  
**September 1, 200X-1 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 organizations that are controlled by or dependent on the district’s board of directors. Control by or dependence on the district was determined on the basis of budget adoption, taxing authority, outstanding debt secured by the general credit of the district, obligation of the district to finance any deficits that may occur, or receipt of significant subsidies from the district.

b. Basis of Presentation—Fund Accounting

The \_\_\_\_\_ School District presents governmental fund financial statements and related notes on the modified accrual basis of accounting as prescribed by generally accepted accounting principles (GAAP) and required by its regulatory agencies, the Office of Superintendent of Public Instruction and the State Auditor’s Office. However, the district elects to not present districtwide financial statements, and management’s discussion and analysis, which are departures from GAAP. Long-term debt is reported on a required supplementary schedule. The accounts of the district are organized on the basis of funds, each of which is considered a separate accounting entity. The regulatory agencies require all funds be presented as major funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures (or expenses), ② as appropriate. The various funds in the report are grouped into governmental (and fiduciary) ③ funds as follows:

**GOVERNMENTAL FUNDS**

**General Fund**

This fund is used to account for all expendable financial resources, except those required to be accounted for in another fund. In keeping with the principle of as few funds as necessary, food services, maintenance, data processing, printing, and transportation activities are included in the fund.

### Capital Projects Funds

These funds account for financial resources to be used for the construction or acquisition of major capital assets. The capital projects fund type 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 and the payment of matured general long-term debt principal, interest, and related expenditures.

### Special Revenue Funds

These funds account for the proceeds of specific revenue sources that are legally restricted for specific purposes. The Associated Student Body Fund (ASB Fund) is the only fund of this type. This fund is accounted for as a special revenue fund since the financial resources 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

Fiduciary funds that include pension (and other employee benefit) trust funds, ② private-purpose trust funds, and agency funds, are used to account for assets held by the district in a trustee and agency capacity.

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) ② Trust Fund. This fund is used to account for resources to be held for the members and beneficiaries of a pension plan 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 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*, 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 a practice that differs from generally accepted accounting principles in the following manner:

- (1) Districtwide statements are not presented.
- (2) The financial statements do not report capital assets.
- (3) Debt is not reported on the face of the financial statements. It is reported on the notes to the financial statements and on the Schedule of Long-Term Debt. The Schedule of Long-Term Debt is required supplemental information.
- (4) The original budget is not presented. This information is available through the Office of Superintendent of Public Instruction.
- (5) The Management Discussion and Analysis is not required.

The modified accrual basis of accounting is used for all governmental funds. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and the district considers all revenues available if they are collected within 60 days after year end to pay liabilities of the current period. Property taxes receivable are measurable but not available and are, therefore, not accrued. However, categorical program claims and inter-district billings are measurable and available and are, therefore, accrued.

Expenditures are recognized under the modified basis of accounting when the related fund liability is incurred, except for unmatured principal and interest on long-term debt which are recorded when due. The fund liability is incurred when the goods or services have been received. For federal grants, the recognition of expenditures is dependent on the obligation date, (obligations means purchased order issued, contracts awarded, or goods and services received).

All governmental funds' reporting focuses primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. This means that only current assets and current liabilities are included on their balance sheets.

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 the modified accrual basis as prescribed in law for all governmental funds. Fund balance is budgeted as available resources and, pursuant to law, the budgeted ending fund balance cannot be negative.

e. Assets, Liabilities, and Fund Equity

All of 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.

*Format Option #1 @@@*

All of the district’s investments (except for investments of deferred compensation plans) @ during the year and at year end were insured or registered and held by the district or its agent in the district’s name.

The district’s investments as of August 31, 20XX, are as follows:

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

*Format Option #2 @@*

The district’s investments (excluding investments for deferred compensation plans) @ are categorized as follows to give an indication of the level of risk assumed by the entity as of August 31, 200X. Category 1 includes investments that are insured or registered or for which the securities are held by the district or its agent in the district’s name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker’s or dealer’s trust department or agent in the district’s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or its trust department or agent but not in the district’s name.

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

### Receivables and Payables

The only receivables not expected to be collected within one year are \$\_\_\_\_\_ of (*notes, liens, etc.*) in the \_\_\_\_\_ Fund.

### Inventory

Inventory is valued at cost using the first-in, first-out (FIFO) method (or weighted average).<sup>ⓐ</sup> The consumption method of inventory is used, which charges inventory as an expenditure when it is consumed. Management may reserve a portion of fund balance in any amount as a budgetary technique to ensure the availability of resources at the appropriate time. (Such reserves for inventory indicate that a portion of net current assets is set aside to replace or increase the inventory.)<sup>ⓑ</sup> USDA commodity inventory consists of food donated by the United States Department of Agriculture. It is valued at the prices paid by the USDA for the commodities.

### Pledged Assets<sup>ⓒ</sup>

(*Identify the assets pledged, the amount of the associated liability, the duration of the pledge, and other pertinent facts concerning the security arrangement.*)

## f. Revenue and Expenditure Recognition

### Debt Service

Principal and interest on general long-term debt is recognized only when due.

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. The taxpayer has the option of paying all taxes on April 30 or one-half then and one-half on October 31. Typically, slightly more than half of the collections are made on the April 30 date. The October 31 collection is not available in time to cover liabilities for the fiscal period ended August 31. Therefore, the fall portion of property taxes is not accrued as revenue. Instead, the taxes due on October 31 are recorded as deferred revenue.

Compensated Absences

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

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

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

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

(No unrecorded liability exists for other employee benefits.) <sup>Ⓢ</sup>

(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.) <sup>Ⓢ</sup>

**Note 2 Self-Insurance—Security Deposit** <sup>Ⓢ</sup>

(The money that the district places in escrow as a condition of self-insuring with the Washington State Department of Labor and Industries is reported in this account.)

### **Note 3 Capital Assets**

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

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

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

*Lessor operating lease disclosures are as follows:*

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

## **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:

<u>Program</u>	<u>Active Members</u>	<u>Inactive Vested Members</u>	<u>Retired Members</u>
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):

<u>Plan</u>	<u>FY</u>	<u>FY</u>	<u>FY</u>
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, 20XX, 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 8/31/20XX	Additional Local Funds Committed	Additional State Funds Committed
Total				

**Note 6 Deferred Compensation Plan** ⑤

(District employees have the option of participating in an IRC, Section 457, deferred compensation plan administered by the district, a state retirement system, or another governmental entity. The district retains a right of legal access to the plan assets (valued at market) until paid or made available to the employees, subject only to the claims of the district’s general creditor.)

*(If the plan assets have been used in the past for purposes other than the payment of benefits, disclosure should be made of such use. The administering district in a multiple-jurisdiction plan should also disclose that portion of the assets in the fund to which it has legal access, as distinguished from the assets held for other participating districts.)* ②

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

**Note 7 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 together with other school districts in the state to form (name of risk pool), a public entity risk pool currently operating as a common risk management and insurance program for (unemployment insurance, unemployment compensation). ② The district pays an annual premium to the pool for its general insurance coverage. The agreement for formation of the (name of risk pool) ② provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$ \_\_\_\_\_ for each insured event.

*(District buys commercial insurance.)* ⑤

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

*(District is self-insured.)* ⑤

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

At August 31, 20XX, 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, \_\_\_\_ 20XX, resulted in the following:

	9/1/200X-1 Liability	Current Year Claims and Changes in Estimates	Claim Payments	8/31/20XX 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 8 Lease Obligations and Conditional Sales Contract Obligations** ⑥

*(Provide a general description of lease arrangements, e.g., basis of determining contingent rental, renewal terms, purchase option, escalation clauses, restrictions, and nature and extent with related parties.)*

For the fiscal year(s) ⑥ ended August 31, 200X, the district had incurred additional long-term debt as follows:

Lessor	Amount	Annual Installment	Final Installment Date	Interest Rate	Balance Due
<b>Lease-Purchase Commitments</b>					
Total Lease-Purchase Commitments					
<b>Conditional Sales Contracts</b>					
Total Conditional Sales Contracts					
<b>Other Long-Term Commitments</b>					
Total Other Long-Term Commitments					

*(Disclose the following for capital leases:*

- a. *Cost by major class and fund of capital assets being acquired with capital lease financing.*
- b. *Current and non-current obligations.*
- c. *Future minimum lease payments in total and yearly for next five years.*
- d. *Portion of future minimum lease payments representing imputed interest and other costs.*
- e. *Total future minimum non-cancelable sublease rentals.*
- f. *Contingent rentals actually incurred during the year.*

*Disclose the following for operating leases:* ⑦

- a. *Future minimum lease payments for each of the next five years and in total for non-cancelable leases extending over one year.*

b. Rental expenditures for the year with separate disclosure of minimum rental, contingent rental, and sublease rental revenue.)

**Note 9 Debt** ⑤

Long-Term Debt

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

Bonds payable at August 31, 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 fiscal year(s) ended August 31, 200X :

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 the interest rates changed must be disclosed.)

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

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

Bonds Authorized But Unissued ⑤

*(Schedule bonds authorized but unissued.)*

Refunded Debt ⑥

*(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 19\_\_\_\_ series bonds with an average interest rate of \_\_\_\_\_ percent. The net proceeds of \$\_\_\_\_\_ million after payment of \$\_\_\_\_\_ million in underwriting fees, insurance, and other issuance costs plus an additional \$\_\_\_\_\_ million of 19\_\_\_\_ series sinking fund moneys were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 19\_\_\_\_ series bonds. As a result, the 19\_\_\_\_ series bonds are considered defeased.

The district advance refunded the 19\_\_\_\_ 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.)

**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:

(Purpose)	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
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**CALCULATION OF DIFFERENCE IN CASH FLOW REQUIREMENTS AND ECONOMIC GAIN**

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

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

**Prior-Year Defeasance of Debt** Ⓞ

(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), Ⓞ \$\_\_\_\_\_ million (and \$\_\_\_\_\_ million respectively), Ⓞ of bonds outstanding are considered defeased.)

**Note 10 Interfund Loans** ⑤

*(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/XX
			New Loans	Repayments	
Totals					

**Note 11 Summaries of Significant Contingencies**

*(Describe the contingencies or state that there were none at the balance sheet date. Contingencies 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 and 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 ⑥

(The Tax Reform Act of 1986 requires the district to rebate the earnings on the investment of bond and revenue anticipation note proceeds, in excess of their yield, to the federal government. This requirement is effective for the district's \_\_\_\_\_ bond issue(s) after September 1, 1986, currently totaling \$\_\_\_\_\_ 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 rebated amount fluctuates each year and may or may not be owing 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 \$\_\_\_\_\_.)

**ESD 113 Insurance Cooperative** ⑤

*(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 2003—2004 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 12 Other Disclosures** ⑤

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

(The district operates a skills center in cooperation with \_\_\_\_\_ neighboring districts for the purpose of training students of all \_\_\_\_\_ districts in certain vocational skills. The proportionally larger financial operations of this facility are included in these financial statements. For fiscal 200X (and 200X-1), ⑥ revenues totaled \$\_\_\_\_\_ (and \$\_\_\_\_\_ respectively), ⑥ as compared to the (respective) ⑥ preceding year revenues of \$\_\_\_\_\_ (and \$\_\_\_\_\_). ⑥ Expenditures totaled \$\_\_\_\_\_ (and \$\_\_\_\_\_) ⑥ as compared to the (respective) ⑥ preceding year expenditures of \$\_\_\_\_\_ (and \$\_\_\_\_\_). ⑥)

(Operation of a proportionally larger cooperative program to transport the district's students and those of \_\_\_\_\_ neighboring districts are included in these financial statements. For fiscal 200X (and 200X-1), ⑥ these cooperative revenues totaled \$\_\_\_\_\_ (and \$\_\_\_\_\_ respectively), ⑥ as compared to the (respective) ⑥ preceding year revenues of \$\_\_\_\_\_ (and \$\_\_\_\_\_). ⑥ Cooperative expenditures totaled \$\_\_\_\_\_ (and \$\_\_\_\_\_). ⑥

as compared to the (respective) @ preceding year expenditures of \$ \_\_\_\_\_ (and \$ \_\_\_\_\_). @)

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

**Note 13 Subsequent Events**

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

Or

*(Describe significant events after the financial statement dates that materially impact the next and future years.)*

## **Instructions**

- ① *Notes to the Financial Statements are neither all-inclusive nor intended to replace professional judgment in determining disclosure necessary for fair presentation in the circumstances. Notes to financial statements should not be cluttered with unnecessary and immaterial disclosures. Materiality and particular circumstances must be considered in assessing the propriety of the notes to financial statements. Notes to financial statements provide necessary disclosure of material items, the omission of which would cause the financial statements to be misleading.*
- ② *Use the material in parentheses if appropriate; otherwise delete it.*
- ③ *Reference to expenses is appropriate only if the district has a nonexpendable trust fund accounted for using the full accrual basis of accounting.*
- ④ *Reference to fiduciary funds is appropriate only if the district has a private-purpose trust, a pension (or other employee benefit) trust, and/or an agency fund.*
- ⑤ *This note is appropriate if the district has the particular circumstance; e.g., changes in long-term debt are shown only if the district has long-term debt; changes in capital assets are shown only if the district accounts for the capital assets, etc.*
- 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 *The district should choose Format Option #1 or Format Option #2, depending on the circumstance. Format #1 should be used where all (during the entire year) of the district's investments are insured or registered and held in the district or in the district's name by its agent. Otherwise, Format #2 should be used.*
- ⑧ *If the district has any investment during the year, which is not fully insured, registered, or held in the name of the district, extensive additional disclosure is required. Reference to disclosure requirements published in GASB Statement No. 3 is necessary.*
- ⑨ *If another valuation method is used, adjust the note accordingly and explain the impact on the financial statements.*
- ⑩ *This sentence is appropriate if the district has a reserve for inventory.*
- ⑪ *Prepare this note only if some leases are not capitalized. (Payments on capitalized leases are included in the note CHANGES IN LONG-TERM DEBT as debt service.)*

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