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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 accounting policies of Educational Service District No. [xxx] (“the District”) were developed under authority of the Office of Superintendent of Public Instruction. Except where noted as exceptions, the rules of generally accepted accounting principles (GAAP) are the basis for accounting and financial reporting in the District. 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

Educational Service District No. [\_\_\_\_] is one of nine municipal corporations of the state of Washington organized 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 the state superintendent of public instruction and the 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.

As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. Based on the standards set by Governmental Accounting Standards Board (GASB) Statement 14, there were no component units of the District. The District is a separate legal entity and is fiscally independent from all other units of government.

The District serves *[#]* school districts in *[insert counties served]* counties. Oversight responsibility for the District's operations is vested with the Board of Directors who are elected by the school directors of the educational service district, one from each of seven educational service district board-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.

### Basis of Accounting and Reporting

The District’s accounting policies, as reflected in the accompanying financial statements, conform to the *Accounting Manual for Educational Service Districts*, prescribedby the Office of Superintendent of Public Instruction (OSPI). This manual allows for a practice that differs from generally accepted accounting principles in the following manner: (1) The Management Discussion and Analysis is not required.

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 District reports the following major proprietary funds:

The *General 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 premium from members of the fund and the related payment of associated claims and expenses. [Further description of the fund summarized from Note 8 may be added here if desired.]

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 8 may be added here if desired.]

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 8 may be added here if desired.]

[Insert additional fund descriptions where applicable.]

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principle ongoing operations. Operating expenses for proprietary funds include the cost of providing services, administrative expenses, depreciation on capital assets, and gain or loss on sale of assets used for operations. Grants used to finance operations and expenses not related to the provision of District services are reported as non-operating revenues and expenses as well as interest and investment income, interest expense, lease income from properties or equipment, and changes in joint ventures.

In addition, the District reports the following fund types:

The *Compensated Absences Pool Fund* accounts for assets held 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.

[ESD 123 Only] The *Washington Information Processing Cooperative Agency Fund* accounts for assets held by the District to operate the joint venture on behalf of the members of the cooperative.

[Insert additional fund descriptions where applicable.]

Trust or agency funds are used to account for assets held by the District in a trustee or agency capacity.

The District has prepared an annual program report to OSPI in a format issued separately. These reports require specific information, the format of which may differ from statements prepared on the basis of generally accepted accounting principles.

### Assets, Liabilities, and Equity

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

The *[County name]* County Treasurer is the ex-officio treasurer for the District. In this capacity, the County Treasurer receives daily deposits and transacts investments on behalf of the District. On August 31, 2019, the County Treasurer was holding $\_\_\_\_\_\_\_\_\_\_\_\_\_ in short-term residual investments of surplus cash, reported at fair value (see Note 2). This amount is classified on the statement of net position as cash and cash equivalents.

For the purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased 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. The Treasurer bears the risk of maturity in the pool.

#### Receivables

For the operating fund, accounts and contracts receivable represent the value of goods and services provided and invoiced to clients at fiscal year-end. For remaining proprietary and agency funds, the amounts represent balances due from clients 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.

#### Interfund Receivables and Payables

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

#### Prepaid Items

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

#### Inventory

The District does not maintain material amounts of inventory.

#### Capital Assets and Depreciation – See Note 3

#### Other Assets and Debits

[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. Vacation is payable upon termination.

Employees earn sick leave at a rate of 12 days per year and may accumulate an unlimited sick leave balance. Under the provisions of Chapter 28A.400.210 RCW, sick leave accumulated by District employees is reimbursed 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 accumulations 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.

The balance reported in the Statement of Net Position as of August 31, 2019, 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 proprietary funds are charged as current expense to those funds.

*[See note 12 for alternate language if the District participates in a Compensated Absences Pool.]*

#### Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

#### Deposits

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

#### Long-Term Debt – See Note 5

#### Unearned Revenue

Unearned revenue consists of balances acquired by the District from award funders in advance of meeting eligibility requirements and subject to meeting those eligibility requirements as of fiscal year-end. Eligibility requirements are expected to be met within 12–18 months.

#### Other Liabilities and Credits

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

#### Deferred Outflows and Deferred Inflows

Accounting principles for pensions under GASB Statement No. 68 (see Note 6) requires the District to recognize deferred inflows and outflows on the Statement of Net Position related to the 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.

Accounting principles for other post-retirement employee benefits (OPEB) under GASB Statement No. 75 (see Note 7) requires the District to recognize deferred inflows and outflows on the Statement of Net Position related to the proportionate share of the multi-employer plan administered under the Washington Health Care Authority’s deferred income or expense items, to be recognized over a number of years, for changes in experience, assumptions, proportion, contributions, and investment earnings.

#### Operating and Nonoperating Revenues and Expenses

In conformance with the *Accounting Manual for Educational Service Districts*, Operating Revenues are defined as revenues generated directly from program activity 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; and
* Earnings on permanent fund investments if restricted to a program specifically identified in the agreement.
* Current year pension liability expense from changes in net pension liability (see Note 6) or changes in OPEB liability (see Note 7).

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

Nonoperating revenues and expenditures include interest earnings on investments not restricted to program benefit, interest expense on debt, other asset and financing activities, and changes from investments in joint ventures; *[add to listing as appropriate.]*

#### Summary of Significant Accounting Policies 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 disclosures are made. Examples include, but are not limited to: implementing provisions of a GASB Statement that modifies elements of the financial statements. Delete this if there are none*

The district has implemented the provisions of GASB Statement No. 88 and presented information in the notes related to debt, direct borrowings and direct placements.

## 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 Public Deposit Protection Commission to hold public deposits and has segregated eligible collateral having a value of not less than its maximum liability. The District participates in the [county name] Investment Pool which is managed and operated by the Office of the [county] Treasurer. [alternatively, if the ESD participates in the Washington State Pool, change the reference to that.]

As of August 31, 2019, the District had the following investments:

| Investment | Maturity | Fair Value |
| --- | --- | --- |
| Local Government Investment Pool |  |  |
| County Investment Pool |  |  |
| Certificate of Deposit |  |  |
| Money Market Account |  |  |
|  |  |  |
|  |  |  |
| Total Investments |  |  |

### Credit Risk

The [name of pool the ESD participates in through their Treasurer) is considered extremely low risk. The pool is operated in a manner consistent with the Securities and Exchange Commission’s Rule 2a-7 of the Investment Company Act of 1940. Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit 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 reduces credit risk by purchasing securities rated at the highest quality by credit rating organizations at the time of purchase. The Pool does not contain any structured investment vehicles or collateralized debt obligations.

As of the most recent report date, fair value of the Pool equaled amortized cost. 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.

The Pool has a strong degree of asset diversification to minimize risk and maintain adequate rates of return. As of August 31, 20xx, the distribution of investments of the Pool was as follows:

| Investment Type | % of Pool based on Fair Value |
| --- | --- |
| Federal Agencies Semi-Annual Coupon | 34.6 % |
| Treasury Coupons | 43.7 % |
| Washington State Local Government Investment Pool | 20.4 % |
| Commercial Paper | 1.3 % |

 *Source: [reference source report]*

The pool is not insured or guaranteed by any government; therefore, maintenance of principal is not fully insured. The [pool reference] does not have a credit rating. As of August 31, 2019, NAV per share was $\_\_\_\_\_\_\_\_\_\_\_\_\_.

The pool is managed and operated by the [insert proper Fund Manager—Office of County Treasurer, State of Washington, etc]. The [managed pool reference] publishes an annual report, which is on the Internet at the Treasurer’s website (http://xxxxxx). As of the most recent report date, fair value equaled amortized cost. It is the policy of the [pool reference] 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.

### 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 to custodial credit risk because the investments held by the [fund reference] are not insured or guaranteed by any government OR no balances are exposed to custodial credit risk. The District does not have a policy for custodial credit risk.

### 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

As of August 31, 2019, the [fund reference]’s average maturity was \_\_\_\_ months or years. 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, which include property, facilities, and large equipment, are capitalized at total acquisition cost, provided such cost exceeds $xx,xxx and has an expected useful life of more than X years. Property, facilities, and large equipment that are purchased using Federal money are subject to inventory reporting if the acquisition cost is over $5,000. 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 |

Major expenses for capital assets, including capital leases and major repairs that extend the useful life of an asset are capitalized. Assets under the capitalization threshold, maintenance, repairs, and minor renewals are accounted for as expenses when incurred.

Capital assets activity for the fiscal year ended August 31, 2019*,* was as follows:

|  | Beginning Balance 9/1/2018 | Increases | Decreases | Ending Balance8/31/2019 |
| --- | --- | --- | --- | --- |
| Capital assets not depreciated: |  |  |  |  |
|  Land | $ | $ | $ | $ |
|  Construction in Progress |  |  |  |  |
| Total capital assets not being depreciated |  |  |  |  |
|  |  |  |  |  |
| Depreciable capital assets: |  |  |  |  |
|  Buildings & Improvements |  |  |  |  |
|  Improvements other than buildings |  |  |  |  |
|  Equipment |  |  |  |  |
|  Other |  |  |  |  |
| Total depreciable capital assets |  |  |  |  |
| Less accumulated depreciation for: |  |  |  |  |
|  Buildings & Improvements |  |  |  |  |
|  Improvements other than buildings |  |  |  |  |
|  Equipment |  |  |  |  |
|  Other |  |  |  |  |
| Total accumulated depreciation |  |  |  |  |
|  |  |  |  |  |
| Total depreciable assets, net |  |  |  |  |
|  Total assets, net | $ | $ | $ | $ |

[If the ESD has lease income on owned properties or equipment, this would be an appropriate place to insert lease arrangements and a table of lease income contracts for 5 years and thereafter]

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

During fiscal year 2019, the District capitalized $\_\_\_\_\_\_\_\_\_\_\_ of net interest costs for funds borrowed to finance the construction of capital assets.

### Construction Commitments

The District has active construction projects as of August 31, 2019. The projects include *[insert applicable text]*. At fiscal year-end, the District’s commitments with contractors were as follows:

| Project | In Progress as of August 31, 2019 | Remaining Commitment |
| --- | --- | --- |
|  | $ | $ |
|  |  |  |
|  |  |  |

Of the total committed balance above, the District will be required to raise $\_\_\_\_\_\_\_\_\_\_\_\_ in future financing.

## 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, 20\_\_, were as follows:

| Debt | Beginning Balance 9/1/2018 | Increases | Decreases | Ending Balance8/31/2019 |
| --- | --- | --- | --- | --- |
|  | $ | $ | $ | $ |
|  |  |  |  |  |

## Note 5: LONG–TERM DEBT AND OTHER OBLIGATIONS

***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.*

*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.*

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

## Long-Term Debt

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

| Governmental activities | Balance at Sept. 1, 20XW | Increases | Decreases | Balance at Aug. 31, 20XX | Due within One Year |
| --- | --- | --- | --- | --- | --- |
| General Obligation Bonds |  |  |  |  |  |
| Notes from Direct Borrowing and Direct Placement |  |  |  |  |  |
| Total  |  |  |  |  |  |

*(Describe long-term debt: 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.)*

The District issues general obligation bonds and other debt instruments to finance the purchase of \_\_\_\_\_\_\_\_\_\_\_\_\_\_ and acquisition and construction of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. Long-term debt at August 31, 20XX, are comprised of the following individual issues:

| Issue Name | Amount Authorized | Annual Installments | Final Maturity | Interest Rate(s) | Amount Outstanding |
| --- | --- | --- | --- | --- | --- |
| General Obligation Bonds |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| Notes from direct borrowing and direct placement |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| Total |  |  |  |  |  |

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

Debt service requirements on long-term debt as of August 31, 20XX, 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 terms by which the interest rates changed must be disclosed.)*

|  | Bonds | Notes from Direct Borrowings and Direct Placements |  |
| --- | --- | --- | --- |
| Years Ending August 31 | Principal | Interest | Principal | Interest | Total |
| 20XX |  |  |  |  |  |
| 20XY |  |  |  |  |  |
| 20XZ |  |  |  |  |  |
| 20YA |  |  |  |  |  |
| 20YB |  |  |  |  |  |
| 20YC–20YG |  |  |  |  |  |
| 20YH–20YL |  |  |  |  |  |
| Total |  |  |  |  |  |

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

### Changes in Long-Term Debt and Other Obligations

During the fiscal year ended August 31, 2019, the following changes occurred in long-term debt and other obligations:

|  | Beginning Balance 9/1/2018 | Additions | Reductions | Ending Balance 8/31/2019 | Due Within One Year |
| --- | --- | --- | --- | --- | --- |
| Bonds Payable | $ | $ | $ | $ | $ |
| Compensated Absences (unfunded portion-Note 1) |  |  |  |  |  |
| Claims and Judgments (Note 7) |  |  |  |  |  |
| *[Insert lines as appropriate for insurance related liabilities.]* |  |  |  |  |  |
| Net Pension Liability (NPL) (Note 6) |  |  |  |  |  |
|  NPL TRS 1 |  |  |  |  |  |
|  NPL TRS 2/3 |  |  |  |  |  |
| NPL SERS 2/3 |  |  |  |  |  |
| NPL PERS 1 |  |  |  |  |  |
| Net OPEB Liability (Note 7) |  |  |  |  |  |
| *[Insert rows as needed]* |  |  |  |  |  |
| Total Long-Term Liabilities | $ | $ | $ | $ | $ |

## Note 6: LEASES

### Operating Lease(s)

The District is committed under various leases for space and equipment. All leases are considered operating leases for accounting purposes because the District does not acquire interests in the property and leases are subject to cancellation at any time during the lease for changes in funding availability.

Lease expenses for the year ended August 31, 2019, totaled $\_\_\_\_\_\_\_\_\_\_\_\_. [If lease expenses have been capitalized for construction, that should be disclosed here.] Future minimum rental commitments for these leases are as follows:

| Fiscal Year Ending August 31 | Amount Committed as of August 31, 2019 |
| --- | --- |
| 2019 | $ |
| 2020 |  |
| 2021 |  |
| 2022 |  |
| 2023 |  |
| 2024 thereafter |  |

### Capital Lease(s)

The District has entered into a lease agreement for financing \_\_\_\_\_\_\_\_\_\_\_\_\_\_ with a down payment of $\_\_\_\_\_\_\_\_\_\_\_. The lease agreement qualifies as a capital lease for accounting purposes; therefore, it has been recorded at the present value of their future minimum lease payments as of the inception date.

Assets acquired through capital leases are as follows:

| Asset | Amount |
| --- | --- |
|  | $ |
|  |  |
| Less accumulated depreciation |  |
| Total | $ |

The future minimum lease obligation and the net present value of these minimum lease payments as of August 31, 2019, were as follows:

| Fiscal Year Ending August 31, | Amount |
| --- | --- |
| 2020 |  |
| 2021 |  |
| 2022 |  |
| 2023 |  |
| 2024 |  |
| 2025 thereafter |  |
| Total minimum lease payments | $ |
|  Less: Interest |  |
| Present Value of Minimum Lease Payments | $ |

### Changes in Lease Liabilities

During the fiscal year ended August 31, 2019, the following changes occurred in lease liabilities:

|  | Beginning Balance 9/1/2018 | Additions | Reductions | Ending Balance 8/31/2019 | Due Within One Year |
| --- | --- | --- | --- | --- | --- |
| Operating Leases | $ | $ | $ | $ | $ |
| Capital Leases |  |  |  |  |  |
| Total Lease Liabilities | $ | $ | $ | $ | $ |

## Note 7: PENSION PLANS

### General Information

***[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. GASB No. 68 Accounting and Financial Reporting for Pensions requires, among other provisions, that the District recognize its proportionate share of the DRS plans’ underfunded 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.

[Note—if omitting paragraph above, define DRS here as done above.]

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

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

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

### Membership Participation

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

Membership participation by retirement plan as of June 30, 2019, was as follows:

| Plan | Active Members | Inactive Vested Members, Entitled to, but not yet Receiving Benefits | Retired Members Receiving Benefits |
| --- | --- | --- | --- |
| PERS 1 |  |  |  |
| SERS 2 |  |  |  |
| SERS 3 |  |  |  |
| TRS 1 |  |  |  |
| TRS 2 |  |  |  |
| TRS 3 |  |  |  |

*The latest actuarial valuations for all plans was June 30, 2018.*

*Source: Washington State Office of the State Actuary*

### Membership & Plan Benefits

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

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

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

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

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

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

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

TRS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit.

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

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

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

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

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

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

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

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

SERS members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service. SERS retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost- of-living allowance (based on the Consumer Price Index), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

**Plan Contributions**

The employer contribution rates for PERS, TRS, and SERS (Plans 1, 2, and 3) and the TRS and SERS Plan 2 employee contribution rates are established by the Pension Funding Council based upon the rates set by the Legislature. The methods used to determine the contribution requirements are established under chapters 41.34 and 41.40 RCW for PERS, 41.34 and 41.35 RCW for SERS, and 41.32 and 41.34 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 percent of the employer-required contribution. The employee contribution rate for Plan 1 in PERS and TRS is set by statute at six percent and does not vary from year to year.

The employer and employee contribution rates for the various plans are effective as of the dates shown in the table. The pension plan contribution rates (expressed as a percentage of covered payroll) for 2018 and 2019 are listed below:

| **Pension Rates** |
| --- |
|  | **7/1/19 Rate** | **7/1/18 Rate** |  |
| **PERS 1** |
| Member Contribution Rate |  |  |  |
| Employer Contribution Rate |  |  |  |
| **Pension Rates** |
|  | **9/1/19 Rate** | **9/1/18 Rate** |  |
| **TRS 1** |
| Member Contribution Rate |  |  |  |
| Employer Contribution Rate |  |  |  |
| **TRS 2** |
| Member Contribution Rate |  |  |  |
| Employer Contribution Rate |  |  |  |
| **TRS 3** |
| Member Contribution Rate | \* | \* |  |
| Employer Contribution Rate |  |  | **\*\*** |
| **SERS 2** |
| Member Contribution Rate |  |  |  |
| Employer Contribution Rate |  |  |  |
| **SERS 3** |
| Member Contribution Rate | **\*** | **\*** |  |
| Employer Contribution Rate |  |  | **\*\*** |
| ***Note: The DRS administrative rate of .00XX is included in the employer rate.*** |
| **\* = Variable from 5% to 15% based on rate selected by the member.** |
| **\*\* = Defined benefit portion only.** |

### The Collective Net Pension Liability

The collective net pension liabilities for the pension plans the District participated in are reported in the following tables:

| The Net Pension Liability as of June 30, 2019: |
| --- |
| Dollars in Thousands | PERS 1 | SERS 2/3 | TRS 1 | TRS 2/3 |
| Total Pension Liability |  |  |  |  |
| Plan fiduciary net position |  |  |  |  |
| Participating employers’ net pension liability |  |  |  |  |
| Plan fiduciary net position as a percentage of the total pension liability |  |  |  |  |

### The District’s Proportionate Share of the Net Pension Liability (NPL)

At June 30, 2019, the District reported a total liability of $**\_\_\_\_\_\_\_\_\_\_** for its proportionate shares of the individual plans’ collective net pension liability. The employer’s proportionate share of the collective net pension liability is based on annual contributions for each of the employers participating in the DRS administered plans. At June 30, 2019, the District’s proportionate share of each plan’s net pension liability is reported below:

| June 30, 2019 | PERS 1 | SERS 2/3 | TRS 1 | TRS 2/3 | Totals |
| --- | --- | --- | --- | --- | --- |
| District’s Annual Contributions |  |  |  |  |  |
| Proportionate Share of NPL |  |  |  |  |  |

At June 30, 2019, the District’s proportionate share of the collective net pension liability and the change in the allocation percentage from the prior year is reported below:

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

### Actuarial Assumptions

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

The total pension liabilities for TRS 1, TRS 2/3, PERS 1, and SERS 2/3 were determined by actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all prior periods included in the measurement:

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

### Mortality Rates

Mortality rates used in the plans were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime. The actuarial assumptions used in the June 30, 2017, valuation were based on the results of the *2007–2012 Experience Study* *Report and the 2017 Economic Experience Study*. Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report.

### Long-term Expected Rate of Return

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

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

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

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plans’ target asset allocation as of June 30, 2019, are summarized in the following table:

| TRS1, TRS 2/3, PERS 1, and SERS 2/3 |
| --- |
| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
| Fixed Income | % | % |
| Tangible Assets | % | % |
| Real Estate | % | % |
| Global Equity | % | % |
| Private Equity | % | % |

The inflation component used to create the above table is \_\_\_ % 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 \_\_\_ %. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan’s fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed \_\_\_ % long-term discount rate to determine funding liabilities for calculating future contributions rate requirements. Consistent with the long-term expected rate of return, a \_\_\_ % future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Therefore, the long-term expected rate of return of \_\_\_ % on pension plan investments was applied to determine the total pension liability.

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

The Pension Plans reported collective Deferred Outflows of Resources and collective Deferred Inflows of Resources related to the individual plans. At August 31, 2019, the District reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

| **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 proportion and differences between contributions and proportionate share of contributions  | $ | $ |
| 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 proportion and differences between contributions and proportionate share of contributions  | $ | $ |
| 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 proportion and differences between contributions and proportionate share of contributions  | $ | $ |
| 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 proportion and differences between contributions and proportionate share of contributions  | $ | $ |
| Contributions subsequent to the measurement date  | $ | $ |
| TOTAL | $ | $ |

$\_\_\_\_\_\_\_\_\_\_ reported as Deferred Outflows of Resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2019.

Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in pension expense as follows:

| Year ended August 31, | PERS 1 | SERS 2/3 | TRS 1 | TRS 2/3 |
| --- | --- | --- | --- | --- |
| 2019 |  |  |  |  |
| 2020 |  |  |  |  |
| 2021 |  |  |  |  |
| 2022 |  |   |   |   |
| 2023 |  |   |   |   |
| Thereafter |  |   |   |   |

### Pension Expense

The District recognizes a pension expense for its proportionate share of the collective pension expense. This is determined by using the District’s proportionate share of the collective net pension liability. For the year ending August 31, 2019, the District recognized a total pension expense as follows:

| Pension Expense (Income) from change in NPL |
| --- |
| PERS 1 | $ |
| SERS 2/3 |  |
| TRS 1 |  |
| TRS 2/3 |  |
| Total Pension Expense | $ |

### 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 liability calculated using the discount rate of X.XX%, as well as what the net pension 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.

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

### Schedules of Required Supplementary Information

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

## Note 8: OTHER POST EMPLOYMENT BENEFIT PLANS

[Sample text is from District notes; however, the following details are required for GAAP reporting if applicable and material: Plan Description, Summary of Significant Accounting Policies, Funding Policy, Contributions and Reserves, Funded Status, Funding Progress, Actuarial Methods, and Assumptions.]

### 457 Plan – Deferred Compensation Plan

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 plan assets and all related income are held in trust for the exclusive benefit of the participants and their beneficiaries.

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

The District offers a tax deferred annuity plan for its employees. The plan permits participants to defer a portion of their salary until future years under the elective deferral (employee contribution method). The District complies with IRS regulations that require school districts to have written plans to include participating investment companies, types of investments, loans, transfers, and various requirements. The plan is administered by CPI, (a third party administrator).

The plan assets are assets of District employees, not the District, and are therefore not reflected in these financial statements.

Employee access to medical benefits is through the Washington State Health Care Authority (HCA).

### Other Post-Employment Benefit Plans

GASB 75 note on OPEB to come from actuarial reports.

## Note 9: SHARED RISK POOL DISCLOSURES

[For operation and management of a Shared Risk Pool]

[For more information and instructions, please refer to the Washington State Auditor’s Office Risk Pool Reporting Package.]

### Property & Liability Insurance Risk Pool

The District operates a group self-funding, claims control, and risk management fund for property and casualty liabilities to member school districts and ESDs.

### Unpaid Claims Liabilities

The pool establishes claims liabilities based on 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.

### Reinsurance

The 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 pool as direct insurer of the risks reinsured. The pool does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. The amount deducted from claims liabilities as of August 31, 2019, for reinsurance was $\_\_\_\_\_\_\_\_\_\_. Premiums ceded to reinsurers during 2019 were $\_\_\_\_\_\_\_\_\_\_.

### Member Assessments and Unearned Member Assessments

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 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

### Unpaid Claims

Claims are charged to income as incurred. 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 estimated provided by the third party administrator. The change in the liability each year is reflected in current earnings.

### 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). Chapter 48.62 RCW exempts the pool from insurance premium taxes, and business and occupation taxes imposed pursuant to Chapter 82.04 RCW.

### Risk Financing Limits

The following table reflects the risk financing limits on coverage policies issued and retained by the pool at August 31, 2019:

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

### Excess Insurance Contracts–Reinsurance

The pool maintains excess insurance contracts with several insurance carriers, which provide various limits of coverage over the pool’s self-insured retention limits. The limits provided by these excess insurance contracts are as follows:

| Excess Insurance Contracts | FY 2019 |
| --- | --- |
|  | $ |
|  |  |
|  |  |

Per-occurrence coverage limits provided by the pool, including the excess insurance limits combined with the pool’s self-insured retention limits, are as follows:

| Excess Insurance Contracts | FY 2019 |
| --- | --- |
|  | $ |
|  |  |

### Members’ Supplemental Assessments and Credits

The interlocal governmental agreement provides for supplemental assessments to members based on actual claim experience. (During fiscal year 2019, the pool did not make a supplemental assessment.) (In 2019, the pool recorded supplemental assessments of $\_\_\_\_\_\_\_\_\_\_, pursuant to this provision.) (In addition, during 2018, 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 2019, member assessments are presented net of such credits of $\_\_\_\_\_\_\_\_\_\_. The board of directors has designated $\_\_\_\_\_\_\_\_\_\_\_\_ of members’ fund balance for this purpose for the fiscal year ending 2019.

### Unpaid Claims Liabilities

As discussed above, the 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. The following represents changes in those aggregate liabilities for the pool during the past two years:

|  | FY 2019 | FY 2018 |
| --- | --- | --- |
| Unpaid claims and claim adjustment expenses at 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 at end of year | $ | $ |

At year-end 2019, $\_\_\_\_\_\_\_\_\_\_\_\_\_ 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 2019 fiscal year-end balances because the pool has purchased annuities in claimants’ names to settle those claims.

### Workers' Compensation Insurance Trust

The Workers' Compensation Trust is organized pursuant to Title 51.14 RCW for the purpose of managing workers’ compensation payroll taxes, employee claims, and safety programs. Membership is established by execution of an agreement between the District and each local school district. The District is also a member of the Trust.

The Trust provides industrial injury accident insurance coverage for its membership. The Trust is fully funded by its member participants. Member contributions are calculated based on the members’ hours worked. The Trust 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 Trust acquires insurance from unrelated underwriters. The Trust’s per-occurrence retention limit is $\_\_\_\_\_\_\_\_\_\_\_ and the annual aggregate retention is $\_\_\_\_\_\_\_\_\_\_\_. Since the Trust is a cooperative program, there is a joint liability among participating members.

For fiscal year 2019, there are [#] members in the pool including [#] participating school districts. [A Board comprised of one designated representative from each participating member and a six member Executive Board governs the Trust. The Executive Board has five members elected by the Board and the District Superintendent.] The District is responsible for conducting the business affairs of the Trust. At August 31, 2019, the amount of liabilities totaled $\_\_\_\_\_\_\_\_\_\_\_\_. This liability is the Districts best estimate based on available information. Changes in the reported liability since August 31, 2019, resulted in the following:

|  | Beginning Balance 9/1/2018 | Current Year Claims and Changes in Estimates | Ending Balance 8/31/2019 |
| --- | --- | --- | --- |
| Incurred but not Reported | $ | $ | $ |
| Future L&I Assessments |  |  |  |
| Estimated Unallocated Loss Adjustment |  |  |  |
| Claim Reserves |  |  |  |

### Unemployment Compensation Insurance Pool

The Unemployment Compensation Pool is organized pursuant to Title 50.44 RCW for the purpose of managing unemployment compensation payroll taxes and employee claims. Membership is established by execution of an agreement between the District and each local school district. The District is also a member of the Pool.

The Pool provides unemployment compensation coverage for members of the Pool arising from previous employees. The Pool is fully funded by its member participants. Member districts pay a percentage of their employee’s wages. These contributions plus investment earnings pays for unemployment claims and for the administration of the Pool. There is provision that members can be additionally assessed if the Pool needs additional funding.

For fiscal year 2019, there are [#] members in the Pool including [#] participating school districts. [The Pool is governed by a Cooperative Board, which is comprised of one designated representative from each participating member and a six member Executive Board. Five members elected by the Cooperative Board and the District Superintendent comprise the Executive Board.] At August 31, 2019, the amount of liabilities totaled $\_\_\_\_\_\_\_\_\_\_\_\_\_\_. This liability is the District’s best estimate based on available information. Changes in the reported liability since August 31, 20\_\_, resulted in the following:

|  | Beginning Balance 9/1/2018 | Current Year Claims and Changes in Estimates | Ending Balance 8/31/2019 |
| --- | --- | --- | --- |
| Claims Reserves & ULAE | $ | $ | $ |

## Note 10: RISK MANAGEMENT

[For a member of a Risk Pool or Cooperative]

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

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 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]* also purchases additional excess crime coverage as well as required Public Official Bonds. The Commercial Crime coverage is subject to a per-occurrence deductible of $\_\_\_\_\_\_\_\_. Members are responsible for $\_\_\_\_\_\_\_\_ of that deductible amount for each claim.

*[Cooperative–Pool]* members contract to automatically renew from year to year unless the member gives written notice of its election to terminate at least 180 days prior to August 31 of any year. Termination occurs on August 31. 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. The *[Cooperative–Pool]* is fully funded by its member participants.

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: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. Financial statements and disclosures for the Pool can be obtained from the following address: [Insert District office address.]

### 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 |

## Note 11: NET POSITION, RESTRICTED

The District’s Statement of Net Position reports $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of net assets restricted for support programs as follows as of August 31, 2019:

| **Support Program** | **Amount** |
| --- | --- |
|  | $ |
|  |  |
|  |  |
|  |  |
| Total Restricted for Support Programs | $ |

The District is a member of a joint venture for 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 11 for further disclosure regarding the joint venture.

[If restricted net position for self insurance, add disclosure here.]

[If restricted net assets for bond proceeds not yet spent for intended purpose, add disclosure here.]

## Note 12: JOINT VENTURE

### Compensated Absences Liability Fund

The Compensated Absences Liability Fund is organized under the 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. The District is also a member of the Fund.

For fiscal year 2019, 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 expenditures. Coverage is on an “occurrence” basis. Expenditures of leave taken during employment continue to be recorded when paid.

The District contributes to the Compensated Absences Liability Pool for liabilities relating to sick leave and vacation leave cash outs. As of August 31, 2019, the District’s total compensated absences balance in the pool was $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. [The District considers these liabilities fully funded and therefore does not report them in the statement of net position.] ***[or]*** [The District only reports the balance of the liabilities that are not fully funded by the pool in the statement of net position.]

Changes for the fiscal year are summarized below.

|  |  | Balance at 8/31/2019 |
| --- | --- | --- |
| Beginning Long-term Liability |  | $ |
|  |  |  |
| Beginning Pool Balance | $ |  |
| Payments to Pool | $ |  |
| Interest | $ |  |
| Withdrawals from Pool | ($ ) |  |
| Less Ending Pool Balance |  | $ |
| Increase (Decrease) to Estimates of Long-term Liability |  | $ |
| Ending Unfunded Liability |  | $ |

## Note 13: INVESTMENT IN JOINT VENTURE

### Washington School Information Processing Cooperative

The District is a member of the Washington School Information Processing Cooperative (WSIPC). The WSIPC Board of Directors consists of a member of each the nine Educational Service Districts 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.

Condensed financial information of the joint venture for the fiscal year ended August 31, 2019, is as follows:

| Condensed Financial Statements*Unaudited* | Amount |
| --- | --- |
| Assets |  |
|  Current Assets | $ |
|  Non-Current Assets |  |
|  Deferred Outflows |  |
| Total Assets and Deferred Outflows | $ |
| Liabilities and Joint Venture Capital |  |
|  Current and Noncurrent Liabilities | $ |
|  Net Pension Liability |  |
|  Net OPEB Liability |  |
|  Deferred Inflows |  |
|  Investment in Joint Venture |  |
| Total Liabilities, Deferred Inflows and Joint Venture Capital | $ |
| Operating Revenues | $ |
| Plus or Minus: Other Income or Expense (Net) |  |
| Less: Operating Expenses |  |
|  Net Income | $ |

WSIPC employees participate in the Washington state retirement system and report net pension liability under requirements of Government Accounting Standards Board Statement No. 68 Accounting and Financial Reporting for Pensions consistent with disclosures in Note 6 to these financial statements. Further, other post-employment insurance benefits (OPEB) for WSIPC employees is provided through the Washington Health Care Authority and the net OPEB liability is reported under GASB No. 75 Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, consistent with disclosures found in Note 7 to these statements.

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. The District contributed $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and $\_\_\_\_\_\_\_\_\_\_\_\_\_to the joint venture during 2019 and 2018, respectively. There were no distributions in 2019 and 2018. The change in net position from fiscal year 2018 to 2019 is $\_\_\_\_\_\_\_\_\_\_\_\_\_\_ has been reported on the Statement of Revenues, Expenses and Changes in Fund Net Position as non-operating revenue or expense.

The Net Investment in Joint venture balance in the Statement of Net Position is a restricted net position (see Note 10).

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

## Note 14: CONTINGENT LIABILITIES AND LITIGATIONS

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

## Note 15: OTHER DISCLOSURES

### Joint Ventures and Jointly Governed Organizations—Component Units

***Note to Preparer regarding Related Parties/Component Units***

*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.*

*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. There are three basic tests to determine if an organization is a component unit.*

1. *The resources of the organization are entirely or almost entirely for the direct benefit of the district.*
2. *The district is entitled to or has direct access to a majority of the resources of the organization.*
3. *The resources district is entitled to or has the ability to access from the organization are significant to the district.*

*Examples of Component Units:*

*Is a fund raising foundation a component unit?*

*Typically, a foundation is a legally separate, tax-exempt organization whose bylaws solely provide financial support to the district. The foundation regularly makes a distribution directly to the district; however, these may or may not be significant to the district. The resources of the foundation are restricted for the benefit of the district and are significant to the foundation.*

*This type of foundation might be considered a component unit of the district and should be discreetly presented in the district’s financial statements (GAAP) and a note disclosure made (for GAAP, OCBOA and cash basis). This is because the foundation’s bylaws satisfy the “direct benefit” and “entitlement/ability to access” and if the funds received by the district are significant to the district.*

*The following flow chart can be used to determine if an organization is a component unit.*



|  |  |  |  |
| --- | --- | --- | --- |
| PCU = | Potential component unit | CU | = Component unit |
| PG = | Primary government | JV | = Joint venture |

***Note:*** *A potential component unit for which a primary government is financially accountable may be fiscally dependent on another government. An organization should be included as a component unit of only one reporting entity. Professional judgment should be used to determine the most appropriate reporting entity (¶21b and ¶34–¶38). A primary government that appoints a voting majority of the governing board of a component unit of another government should make the disclosures required by ¶68 for related organizations. The numbers in the boxes refer to the individual paragraphs in GASB Statement 14.*

*For further information concerning component unit(s) that would need to be reported and properly displayed in the financial statements refer to GASB Statement 14-The Financial Reporting Entity, GASB Statement 39-Determining Whether Certain Organizations are Component Units, and GASB Statement 80-Blending Requirements for Certain Component Units-An Amendment of GASB Statement 14,*

### Stewardship, Compliance, and Accountability

[There have been no material violations of finance-related legal or contractual provisions.]

### Prior Period Adjustments

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

### Accounting and Reporting Changes

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

### Extraordinary and Special Items

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

### Related Party Transactions

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

### Subsequent Events

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

### Going Concern

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

### Other

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

# REQUIRED SUPPLEMENTAL INFORMATIOn (rsi)

RSI For Property–Casualty Cooperatives–Pools and Workers Compensation Pools:

This required supplementary information is an integral part of the accompanying financial statements.

## Part 1 – Ten-Year Claims Development Information

The table below illustrates how the pool’s earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the pool as of the end of each of the last ten years. The rows of the table are defined as follows:

1. This line shows the total of each fiscal year gross earned contribution revenue, investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.
2. This line shows each fiscal year’s other operating costs of the pool including overhead and claims expense not allocable to individual claims.
3. This line shows the pool’s gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
4. This section of ten rows shows the cumulative net amounts paid as of the end of successive years for each policy year.
5. This line shows the latest re-estimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.
6. This section of ten rows shows how each policy year’s net incurred claims increased or decreased as of the end of successive years. (This annual re-estimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.)
7. This line compares the latest re-estimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

| Fiscal and Policy Year Ended |
| --- |
| (In Thousands) |
|  |  |  |  |  |  |  |  |  |  |  |
|  | 20W0 | 20W1 | 20W2 | 20W3 | 20W4 | 20W5 | 20X6 | 20X7 | 20X8 | 20X9 |
| 1. Required contribution and investment revenue: |
| Earned | $908 | $957 | $1,357 | $1,493 | $1,479 | $1,595 | $1,811 | $1,993 | $2,192 | $2,411 |
| Ceded | 366 | 387 | 559 | 615 | 624 | 686 | 754 | 830 | 913 | 1,004 |
| Net earned | 542 | 570 | 798 | 878 | 855 | 909 | 1,057 | 1,163 | 1,279 | 1,407 |
|  |  |  |  |  |  |  |  |  |  |  |
| 2. Unallocated expenses |
|  | 64 | 68 | 81 | 91 | 70 | 81 | 92 | 110 | 123 | 131 |
|  |  |  |  |  |  |  |  |  |  |  |
| 3. Estimated claims and expenses end of policy year: |
| Incurred | 287 | 303 | 453 | 503 | 569 | 651 | 780 | 909 | 1,092 | 1,512 |
| Ceded | 52 | 54 | 96 | 111 | 129 | 148 | 168 | 186 | 210 | 251 |
| Net incurred | 235 | 249 | 357 | 392 | 440 | 503 | 612 | 723 | 882 | 1,261 |
|  |  |  |  |  |  |  |  |  |  |  |
| 4. Net paid (cumulative) as of: |
| End of policy year | 118 | 124 | 179 | 196 | 220 | 251 | 306 | 361 | 450 | 641 |
| One year later | 177 | 186 | 268 | 294 | 330 | 377 | 459 | 542 | 675 |  |
| Two years later | 254 | 268 | 385 | 422 | 474 | 542 | 660 | 779 |  |  |
| Three years later | 304 | 321 | 461 | 506 | 568 | 649 | 790 |  |  |  |
| Four years later | 359 | 379 | 545 | 597 | 671 | 766 |  |  |  |  |
| Five years later | 404 | 427 | 614 | 673 | 756 |  |  |  |  |  |
| Six years later | 445 | 469 | 674 | 740 |  |  |  |  |  |  |
| Seven years later | 473 | 499 | 717 |  |  |  |  |  |  |  |
| Eight years later | 473 | 499 |  |  |  |  |  |  |  |  |
| Nine years later | 473 |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
| 5. Re-estimated ceded claims and expenses |
|  | 104 | 109 | 160 | 174 | 184 | 195 | 211 | 217 | 234 | 251 |
|  |  |  |  |  |  |  |  |  |  |  |

| 6. Re-estimated net incurred claims and expenses: |
| --- |
| End of policy year | 235 | 249 | 357 | 392 | 440 | 503 | 612 | 723 | 900 | 1,282 |
| One year later | 294 | 311 | 447 | 490 | 550 | 628 | 765 | 903 | 1,125 |  |
| Two years later | 338 | 357 | 513 | 563 | 632 | 722 | 879 | 1,038 |  |  |
| Three years later | 380 | 401 | 577 | 632 | 710 | 811 | 988 |  |  |  |
| Four years later | 422 | 446 | 641 | 703 | 789 | 902 |  |  |  |  |
| Five years later | 449 | 474 | 682 | 748 | 840 |  |  |  |  |  |
| Six years later | 468 | 494 | 710 | 779 |  |  |  |  |  |  |
| Seven years later | 473 | 499 | 717 |  |  |  |  |  |  |  |
| Eight years later | 473 | 499 |  |  |  |  |  |  |  |  |
| Nine years later | 473 |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
| 7. Increase (decrease) in estimated net incurred claims and expenses from end of policy year: |
|  | 238 | 250 | 360 | 387 | 400 | 399 | 376 | 315 | 225 | 0 |

## Part 2 – Reconciliation of Claims Liabilities by Type of Contract

The schedule below presents the changes in claims liabilities for the past two years for the pool's two types of contracts: property and casualty, and employee health and accident benefits.

|  | Property and Casualty | Employee Health and Accident |
| --- | --- | --- |
|  | (In Thousands) | (In Thousands) |
| Unpaid claims and claim adjustment expenses at beginning of the fiscal year |  |  |
| Incurred claims and claim adjustment expenses: |  |  |
| Provision for insured events of the current fiscal year |  |  |
| Increases in provision for insured events of prior fiscal years |  |  |
| Total incurred claims and claim adjustment expenses |  |  |
| Payments: |  |  |
| Claims and claim adjustment expenses attributable to insured events of the current fiscal year |  |  |
| Claims and claim adjustment expenses attributable to insured events of prior fiscal years |  |  |
| Total payments |  |  |
| Total unpaid claims and claim adjustment expenses at end of the fiscal year |  |  |

## Program Matrices

The information contained in the program matrices in the Chart of Accounts is required to be reported to OSPI as RSI in the financial statements.

## Revenue Detail

ESDs are required to report the amount of revenue received in each of the codes identified in the Chart of Accounts to OSPI as RSI in the financial statements.

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