

Other Comprehensive Basis of Accounting (OCBOA) Modified Accrual Basis (F-196) Notes to the Financial Statements

Table of Contents	Page
NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	1
NOTE X: DEPOSITS AND INVESTMENTS	7
NOTE X: SIGNIFICANT CONTINGENT LIABILITIES	10
NOTE X: SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS.....	11
NOTE X: PENSION PLANS	12
NOTE X: NONGOVERNMENTAL PENSION PLANS	22
NOTE X: ANNUAL OTHER POST-EMPLOYMENT BENEFIT COST AND NET OPEB OBLIGATIONS	24
NOTE X: NONGOVERNMENTAL OPEB PLANS	27
NOTE X: COMMITMENTS UNDER LEASES.....	29
NOTE X: OTHER SIGNIFICANT COMMITMENTS.....	30
NOTE X: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS	31
NOTE X: REQUIRED DISCLOSURES ABOUT LONG-TERM LIABILITIES.....	32
NOTE X: INTERFUND BALANCES AND TRANSFERS.....	35
NOTE X: ENTITY RISK MANAGEMENT ACTIVITIES	36
NOTE X: PRIOR PERIOD CORRECTIONS	38
NOTE X: PROPERTY TAXES	39
NOTE X: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS	40
NOTE X: FUND BALANCE CLASSIFICATION DETAILS	43
NOTE X: POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS—BOTH IN SEPARATELY ISSUED PLAN FINANCIAL STATEMENTS AND EMPLOYER STATEMENTS.....	45
NOTE X: TERMINATION BENEFITS.....	46
NOTE X: VIOLATION OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS	47
NOTE X: CONDITIONS AND EVENTS GIVING RISE TO SUBSTANTIAL DOUBT ABOUT THE GOVERNMENT’S ABILITY TO CONTINUE AS A GOING CONCERN.....	48
NOTE X: OTHER DISCLOSURES.....	49

(Name of School District)

Notes to the Financial Statements ①
September 1, 20XW Through August 31, 20XX

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The ____ School District (District) is a municipal corporation organized pursuant to Title 28A of the Revised Code of Washington (RCW) for the purposes 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.

The District presents governmental fund financial statements and related notes on the modified accrual basis of accounting in accordance with the *Accounting Manual for Public School Districts in the State of Washington*, issued jointly by the State Auditor’s Office 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 prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- (1) Districtwide statements, as defined in GAAP, are not presented.
- (2) A Schedule of Long-Term Liabilities is presented as supplementary information.
- (3) Supplementary information required by GAAP is not presented.
- (4) Property Taxes collected after the end of the fiscal period are not considered available for revenue accrual as described below.

Fund Accounting

Financial transactions of the District are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures (or expenses) as appropriate. All funds are considered major funds. The various funds in the report are grouped into governmental (and fiduciary) funds as follows:

Governmental Funds

General Fund

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

Capital Projects Funds

These funds account for financial resources that are to be used for the construction or acquisition of major capital assets. There are two funds that are considered to be of the capital projects fund type: 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 major capital assets such as land and buildings.

Transportation Vehicle Fund. This fund is used to account for the purchase, major repair, rebuilding, and debt service expenditures that relate 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 and interest.

Special Revenue Fund

In Washington state, the only allowable special revenue fund for school districts is the Associated Student Body (ASB) Fund. This fund is accounted for in the District's financial statements as the financial resources legally belong to the District. As a special revenue fund, amounts within the ASB Fund may only be used for those purposes that relate to the operation of the Associated Student Body of the District.

Permanent Funds

These funds are used to report resources that are legally restricted such that only earnings, and not principal, may be expended. Amounts in the Permanent Fund may only be spent in support of the District's programs and may not be used to the benefit of any individual.

Fiduciary Funds^④

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

Private-Purpose Trust Fund

This fund is used to account for resources that are legally held in trust by the District. The trust agreement details whether principal and interest may both be spent, or whether only interest may be spent. Money from a Private-Purpose Trust Fund may not be used to support the District's programs, and may be used to benefit individuals, private organizations, or other governments.

Pension (and Other Employee Benefit) Trust Fund^②

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 on behalf of others in a purely custodial capacity.

Measurement focus, basis of accounting, and fund financial statement presentation

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered "measurable" if the amount of the transaction can be readily determined. Revenues are considered "available" when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after year-end. Categorical program claims and interdistrict billings are measurable and available and are accrued. Property taxes not collected by the fiscal year end are measurable and recorded as a receivable, however the receivable is not considered available of revenue accrual, but is recorded as a deferred inflow of resources.

Expenditures are recognized under the modified accrual 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. Purchases of capital assets are expensed during the year of acquisition. For federal grants, the recognition of expenditures is dependent on the obligation date.

(Obligation means a purchase order has been issued, contracts have been awarded, or goods and/or services have been received.)

Budgets

Chapter 28A.505 RCW and Chapter 392-123 Washington Administrative Code (WAC) mandate school district budget policies and procedures. The board adopts annual appropriated budgets for all governmental funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Appropriations lapse at the end of the fiscal period.

Budgets are adopted on the same modified accrual basis as used for financial reporting. Fund balance is budgeted as available resources and, under statute, may not be negative, unless the District enters into binding conditions with state oversight pursuant to RCW 28A.505.110.

The government's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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

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

The government's fund balance classifications policies and procedures.

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

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

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

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

Assigned Fund Balance. In the General Fund, amounts that are reported as Assigned are those resources that the District has set aside for specific purposes. These accounts reflect tentative management plans for future financial resource use such as the replacement of equipment or the assignment of resources for contingencies. Assignments reduce the amount reported as Unassigned Fund Balance, but may not reduce that balance below zero.

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

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

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

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

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

Cash and Cash Equivalents

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.

Receivables and Payables^⑤

The only receivables and payables 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)*®. The consumption method of inventory is used, which charges inventory as an expenditure when it is consumed. A portion of fund balance, representing inventory, is considered Nonspendable. *(Such reserves for inventory indicate that a portion of net current assets is set aside to replace or increase the inventory.)*® 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.

Accounting and Reporting Changes for 20XX–XX②

Note to the Preparer:

Provide a general description of the accounting and reporting changes and when they became effective. Examples include, but are not limited to: changing the basis of accounting from cash to modified accrual; or implementing provisions of a GASB Statement that modifies elements of the financial statements.

NOTE X: DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

Type of Investment	(District's) own investments ^⑥	Investments held by (district) as an agent for other organizations ^⑦	Total
State Treasurer's Investment Pool			
County Treasurer's Investment Pool			
Other:			
Total			

(If the district participates in the state LGIP, disclose the following:)

The Washington State Local Government Investment Pool (LGIP) was authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. Participation in the pool is voluntary and the pool does not have a credit rating).

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by GASBS 79 for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. The pool maintains a Weighted Average Maturity (WAM) of 60 days or shorter. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at <http://www.tre.wa.gov>.

(If the district participates in the County investment pool, disclose the following:)

The district's participation in the _____ (name of County investment pool) is voluntary and the pool does not have a credit rating. The district reports its investment in the pool at the fair value amount, which is [not] the same as the value of the pool per share. The fair value of the district's investment in the pool is measured using a net asset value (NAV) as determined by the pool. The pool maintains a (duration/weighted average maturity) of_____.

Note to preparer regarding the County investment pool disclosure statement: Information on duration/weighted average maturity is available from your county treasurer.

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

(If the district has other investments:)

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

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

Fair Value - Notes to the Preparer:

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

NOTE X: SIGNIFICANT CONTINGENT LIABILITIES

(Describe the contingencies or delete this section if there were none. Contingencies that are both probable and for which the amount of the loss can be reasonably estimated should be accrued and disclosed with a description. A reasonably possible contingency should be disclosed with a description of the contingency and the range of possible amounts of loss.)^②

Litigation

(If applicable, describe the litigation that materially impacts the District.)^②

Arbitrage Rebate^⑤

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

Risk Pools^⑤

(Applicable disclosure is necessary for school districts that previously participated in a Risk Pool. When leaving a Risk Pool, request relevant information regarding contingent liabilities from the pool administrator. This contingency disclosure will be required for all districts that participated until the earlier of the pool administrator obtaining outside coverage that will mitigate individual districts' liability or the potential unpaid liability becomes immaterial in relation to the district's statements.)

NOTE X: SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

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

NOTE X: PENSION PLANS

General Information

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

The school district is reporting the net pension liability in the notes and on the Schedule of Long-term Liabilities calculated as the district's proportionate allocation percentage multiplied by the total plan collective net pension liability.

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

Membership Participation

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

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

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

Membership & Plan Benefits

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

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

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

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

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

The benefit is reduced by a factor that varies according to age, for each year before age 65. TRS Plan 2/3 members who have 30 or more years of service credit, were hired prior to May 1, 2013,

and are at least 55 years old, can retire under one of two provisions: With a benefit that is reduced by three percent for each year before age 65; or with a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

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

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

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

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

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

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

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

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

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

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

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

Plan Contributions

The employer contribution rates for PERS, TRS, and SERS (Plans 1, 2, and 3) and the TRS and SERS Plan 2 employee contribution rates are established by the Pension Funding Council based upon the rates set by the Legislature. The methods used to determine the contribution requirements are established under chapters 41.34 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 2017 and 2018 are listed below:

Pension Rates			
	7/1/XX Rate	7/1/XW Rate	
PERS 1			
Member Contribution Rate			
Employer Contribution Rate			

Pension Rates			
Pension Rates			
	9/1/XX Rate	9/1/XW Rate	
TRS 1			
Member Contribution Rate			
Employer Contribution Rate			
TRS 2			
Member Contribution Rate			
Employer Contribution Rate			
TRS 3			
Member Contribution Rate	*	*	
Employer Contribution Rate			**
SERS 2			
Member Contribution Rate			
Employer Contribution Rate			
SERS 3			
Member Contribution Rate	*	*	
Employer Contribution Rate			**
<i>Note: The DRS administrative rate of .00XX is included in the employer rate.</i>			
* = 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 districts participated in are reported in the following table.

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

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

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

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

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

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

Actuarial Assumptions

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

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

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

Mortality Rates

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

Long-term Expected Rate of Return

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

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

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

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

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

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

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

Discount Rate

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

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

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

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

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

	1% Decrease (____%)	Current Discount Rate (____%)	1% Increase (____%)
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			

NOTE X: NONGOVERNMENTAL PENSION PLANS

Notes for Preparer:

Disclose information for pensions provided to employees through a cost-sharing, multiple-employer defined benefit pension plan that:

- 1. Is not a state or local government pension plan,*
- 2. Is used to provide defined benefit pension to both employees of state or local governmental employers, and*
- 3. Has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan).*

A union sponsored pension plan is an example of a plan meeting these criteria.

For each pension plan meeting the above criteria, disclose:

- Name of the pension plan, identification of the entity that administers the pension plan, and identification of the pension plan as a cost-sharing pension plan that has the characteristics described above.*
- Whether the pension plan issues a publicly available financial report and, if so, how to obtain the report.*
- A brief description of the benefit terms, including:*
 - The number of the district's employees covered,*
 - The types of benefits provided,*
 - The authority under which benefit terms are established or may be amended*
- A brief description of contribution requirements, including:*
 - The basis for determining the district's contributions to the pension plan (for example, pursuant to a collective-bargaining agreement),*
 - Identification of the authority under which contribution requirements of the district and its employees are established or may be amended,*
 - The required contribution rates of the district and its employees for the reporting period,*
 - The amount, in dollars, of the district's required contributions for the reporting period,*
 - The expiration date(s) of the collective-bargaining agreement(s) requiring contributions to the pension plan, if any,*
 - A description of any minimum contributions required for future periods by the collective-bargaining agreement(s), statutory obligations, or other contractual obligations, if applicable,*
 - Whether the district is subject to any provisions regarding withdrawal from the pension plan.*
- The following information about the district's payables, if any:*
 - If not otherwise identifiable, the balance of payables,*

- *Significant terms related to the payables,*
- *A description of what gave rise to the payables (for example, required contributions to the pension plan or a contractual arrangement for contributions to the pension plan related to past service upon entrance into the arrangement).*

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

Note to preparer: *The OPEB note should go after the Pension Note.*

The state, through the Health Care Authority (HCA), administers a defined benefit other post-employment benefit (OPEB) plan that is not administered through a qualifying trust. The Public Employees Benefits Board (PEBB), created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage, including establishment of eligibility criteria for both active and retired employees. Benefits purchased by PEBB include medical, dental, life insurance and long-term disability insurance. ⁽⁵⁾.

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

Employers participating in the plan include the state of Washington (which includes general government agencies and higher education institutions), ~~74XX~~ of the state's K-12 school districts and educational service districts (ESDs), and ~~236XXX~~ political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the remaining ~~238XXX~~ K-12 school districts and ESDs. The District's retirees (approximately ~~XXX~~) are eligible to participate in the PEBB plan under this arrangement.

Eligibility

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

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

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

Medical Benefits

Upon retirement, members are permitted to receive medical benefits. Retirees pay the following monthly rates for pre-65 medical coverage for 2018.

<u>Effective Date</u>	<u>Supersedes</u>	<u>Form</u>	<u>Chapter</u>	<u>Section</u>	<u>Page</u>
9/1/18	9/1/17		F-196	OCBOA (F-196)	23

(Note to preparer, charts to be updated yearly)

**Members not eligible for Medicare
(or enrolled in Part A only)**

Descriptions	<u>Type of Coverage</u>		
	<u>Employee</u>	<u>& Spouse</u>	<u>Full Family</u>
Kaiser Permanente NW Classic	\$692.66	\$1,380.30	\$1,896.03
Kaiser Permanente NW CDHP	\$590.87	\$1,170.25	\$1,561.04
Kaiser Permanente WA Classic	\$718.39	\$1,431.76	\$1,966.79
Kaiser Permanente WA CDHP	\$589.18	\$1,167.37	\$1,557.27
Kaiser Permanente WA Sound Choice	\$607.11	\$1,209.20	\$1,660.77
Kaiser Permanente WA Value	\$633.52	\$1,262.02	\$1,733.40
UMP Classic	\$657.86	\$1,310.70	\$1,800.33
UMP CDHP	\$588.91	\$1,166.83	\$1,556.50
UMP Plus-Puget Sound High Value Network	\$600.56	\$1,196.10	\$1,642.76
UMP Plus-UW Medicine Accountable Care Network	\$600.56	\$1,196.10	\$1,642.76

Retirees enrolled in Medicare Parts A and B receive an explicit subsidy in the form of reduced premiums on Medicare supplemental plans. Retirees pay the following monthly rates.

Members enrolled in Part A and B of Medicare

Descriptions	<u>Type of Coverage</u>		
	<u>Employee</u>	<u>& Spouse¹</u>	<u>Full Family¹</u>
Kaiser Permanente NW Senior Advantage	\$173.07	\$860.71	\$865.85
Kaiser Permanente WA Medicare Plan	\$175.40	\$345.78	\$516.16
Kaiser Permanente WA Classic	N/A	N/A	\$880.81
Kaiser Permanente WA Sound Choice	N/A	N/A	\$797.35
Kaiser Permanente WA Value	N/A	N/A	\$1,275.28
UMP Classic	\$333.64	\$662.26	\$1,151.89

Note 1-Employee, Spouse and Full Family with two Medicare eligible subscribers.

Funding Policy

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

According to state law, the Washington State Treasurer collects a fee from all school district entities, which have employees who are not current active members of the state Health Care Authority but participate in the state retirement system. The purpose of this fee is to cover the impact of the subsidized rate of health care benefits for school retirees who elect to purchase

their health care benefits through the state Health Care Authority. For the fiscal year 20XX–XY, the District was required to pay the HCA \$XX.XX per month per full-time equivalent employee to support the program, for a total payment of \$XX,XXX. This assessment to the District is set forth in the state’s operating budget and is subject to change on an annual basis. This amount is not actuarially determined and is not placed in a trust to pay the obligations for post-employment health care benefits.

The District has no control over the benefits offered to retirees, the rates charged to retirees, nor the fee paid to the Health Care Authority. The District does not determine its annual required contribution nor the net other post-employment benefit obligation associated with this plan. These amounts are not shown on the financial statements.

For further information on the results of the actuarial valuation of the employer provided subsidies associated with the state’s PEBB plan, refer to:
<http://leg.wa.gov/osa/additionalservices/Documents/Final.2017.PEBB.OPEB.AVR.pdf>

The plan does not issue a separate report; however, additional information is included in the State of Washington Comprehensive Annual Financial Report, which is available on this site
<https://www.ofm.wa.gov/accounting/financial-audit-reports/comprehensive-annual-financial-report>

NOTE X: NONGOVERNMENTAL OPEB PLANS

Notes for Preparer:

Disclose information for OPEBs provided to employees through a cost-sharing, multiple-employer defined benefit OPEB plan that:

1. Is not a state or local government OPEB plan,
2. Is used to provide defined benefit OPEB to both employees of state or local governmental employers, and
3. Has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide OPEBs through the OPEB plan).

A union sponsored OPEB plan is an example of a plan meeting these criteria.

For each OPEB plan meeting the above criteria, disclose:

- Name of the OPEB plan, identification of the entity that administers the OPEB plan, and identification of the OPEB plan as a cost-sharing OPEB plan that has the characteristics described above.
- Whether the OPEB plan issues a publicly available financial report and, if so, how to obtain the report.
- A brief description of the benefit terms, including:
 - The number of the district's employees covered,
 - The types of benefits provided,
 - The authority under which benefit terms are established or may be amended
- A brief description of contribution requirements, including:
 - The basis for determining the district's contributions to the OPEB plan (for example, pursuant to a collective-bargaining agreement),
 - Identification of the authority under which contribution requirements of the district and its employees are established or may be amended,
 - The required contribution rates of the district and its employees for the reporting period,
 - The amount, in dollars, of the district's required contributions for the reporting period,
 - The expiration date(s) of the collective-bargaining agreement(s) requiring contributions to the OPEB plan, if any,
 - A description of any minimum contributions required for future periods by the collective-bargaining agreement(s), statutory obligations, or other contractual obligations, if applicable,
 - Whether the district is subject to any provisions regarding withdrawal from the OPEB plan.
- The following information about the district's payables, if any:
 - If not otherwise identifiable, the balance of payables,
 - Significant terms related to the payables,

- A description of what gave rise to the payables (for example, required contributions to the OPEB plan or a contractual arrangement for contributions to the OPEB plan related to past service upon entrance into the arrangement).

For further information concerning this topic refer to GASB Statement 85-Omnibus 2017-
https://www.gasb.org/jsp/GASB/Document_C/DocumentPage?cid=1176168915578&acceptedDisclaimer=true

NOTE X: COMMITMENTS UNDER LEASES ⑤

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

For the fiscal year(s)® ended August 31, 20XX, the District had incurred additional long-term debt as follows:

(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 the 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 leases❶:

- 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 disclosures of minimum rental, contingent rental, and sublease rental revenue.)

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

NOTE X: OTHER SIGNIFICANT COMMITMENTS^⑤

The District has active construction projects as of August 31, XXXX:

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

Encumbrances^⑤

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

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

{If the district does not use encumbrance accounting, this section can be deleted.} ^②

Disclose other significant commitments. Commitments are existing arrangements to enter into future purchases at specified prices and sometimes specified quantities.

NOTE X: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS

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

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

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

Lessor operating lease disclosures are as follows:

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

NOTE X: REQUIRED DISCLOSURES ABOUT LONG-TERM LIABILITIES^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, 20XX, are comprised of the following individual issues:

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

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

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

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

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

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

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

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

Bonds Authorized But Unissued^⑤

(Schedule for bonds authorized but unissued.)

Refunded Debt^⑤

(In the year of advance refunding.)

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

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

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

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

Short-Term Debt^⑤

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

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

	Beginning Balance	Issued	Redeemed	Ending Balance
(Purpose)				

Prior-Year Defeasance of Debt^⑤

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

Sinking Fund^⑧

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

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

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

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

NOTE X: INTERFUND BALANCES AND TRANSFERS

The following table depicts interfund loan activity:

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

The following table depicts interfund transfer activity:⑧

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

NOTE X: ENTITY RISK MANAGEMENT ACTIVITIES^⑤

(The following risk management paragraphs pertain to risk management pools and self-insurance. Select the paragraphs that are pertinent to your District and adjust them as necessary.) (Describe any significant reductions from the prior year in insurance coverage.)

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. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not recorded.

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

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

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

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

NOTE X: PRIOR PERIOD CORRECTIONS

If a correction of a prior year error was reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance, describe the circumstances and justification surrounding each such adjustment.

NOTE X: 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 obligation 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 tax collections occurring after the end of the fiscal period are unavailable for revenue accrual. Therefore, the fall portion of property taxes is not accrued as revenue. Instead, the property taxes due after the end of the fiscal period are recorded as a deferred inflow of resources.

Tax Abatements

The (entity name) independently has entered into agreements that affect the levy rate assessed by the District:

Tax Abatement Program	Total Amount of Taxes Abated

Enter a narrative description of each program.

Notes to Preparer:

Disclose tax abatements entered into by the other governments that affects the district's levy rates.

To qualify as a tax abatement agreement that is subject to GASB Statement 77, it is not necessary that the government forgo tax revenue in the aggregate. The fact that the government may effectively recoup the tax revenue associated with the agreement from other taxpayers is not relevant to determining whether the agreement meets the definition of a tax abatement.

If the county or city government has entered into tax abatement agreements with property owners, these agreements can affect the levy rate and must be disclosed. To determine whether disclosure is required obtain information from the local governments.

Briefly describe each tax abatement program and provide the amount of taxes abated. See GASB Statement 77, Tax Abatement Disclosures. Also, see appendix C of the Statement for illustrations. Districts should not present information if they are legally prohibited from doing so, but instead should disclose this fact if applicable.

NOTE X: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

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

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

Note 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:

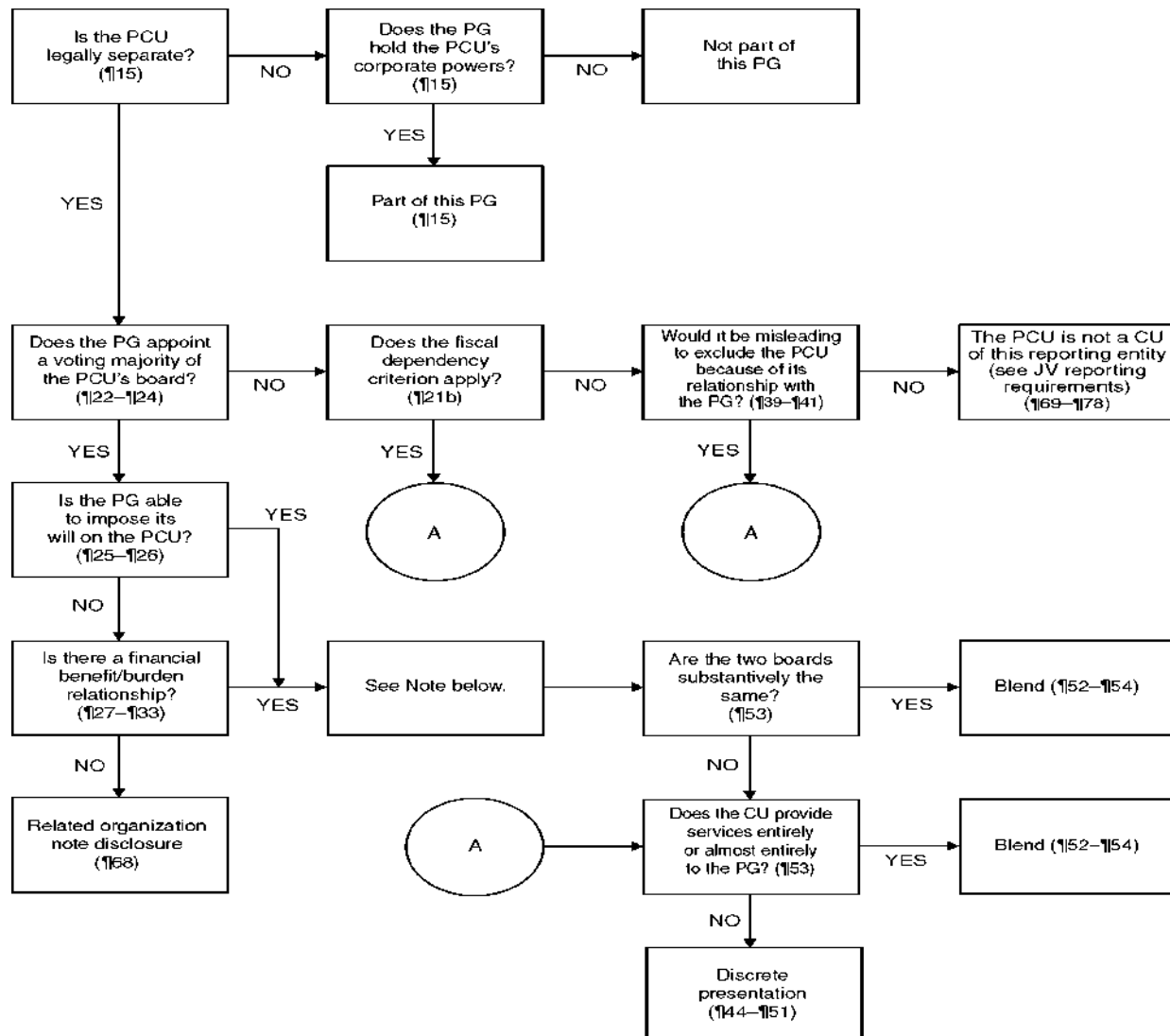
Is a fund raising foundation a component unit?

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 basis) 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.

Are booster clubs and PTA's component units?

The answer is similar to foundations. They will meet the first two tests—"direct benefit" and "entitlement/ability to access", but usually do not pass the significant test. If they do not pass all three tests then they will not be a component unit; however, if the funds received are significant to the district then all three tests will be met and appropriate disclosures will have to be made. The following flow chart can be used to determine if an organization is a component unit.



PCU = Potential component unit
PG = Primary government

CU = Component unit
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,

https://www.gasb.org/jsp/GASB/Document_C/DocumentPage?cid=1176160030209&acceptedDisclaimer=true;

GASB Statement 39-Determining Whether Certain Organizations are Component Units,

https://www.gasb.org/jsp/GASB/Document_C/DocumentPage?cid=1176160028986&acceptedDisclaimer=true; and

GASB Statement 80-Blending Requirements for Certain Component Units-An Amendment of GASB Statement 14,

https://www.gasb.org/jsp/GASB/Document_C/DocumentPage?cid=1176167862585&acceptedDisclaimer=true

NOTE X: FUND BALANCE CLASSIFICATION DETAILS

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

	General Fund	ASB Fund	Capital Projects Fund	Debt Service Fund	Transportation Vehicle Fund
Nonspendable Fund Balance					
Inventory and Prepaid Items	\$xx,xxx	\$xx,xxx			
Restricted Fund Balance					
For Other Items	\$xx,xxx	\$xx,xxx	\$xx,xxx	\$xx,xxx	\$xx,xxx
For Fund Purpose		\$xx,xxx			\$xx,xxx
For Carryover of Restricted Revenues	\$xx,xxx				
For Skill Centers	\$xx,xxx		\$xx,xxx		
For Carryover of Food Service Revenue	\$xx,xxx				
For Debt Service	\$xx,xxx		\$xx,xxx	\$xx,xxx	\$xx,xxx
For Arbitrage Rebate	\$xx,xxx		\$xx,xxx	\$xx,xxx	\$xx,xxx
For Self-Insurance	\$xx,xxx				
For Uninsured Risks	\$xx,xxx	\$xx,xxx	\$xx,xxx		\$xx,xxx
Restricted from Bond Proceeds			\$xx,xxx		
Committed from Levy Proceeds			\$xx,xxx		
Restricted from State Proceeds			\$xx,xxx		
Restricted from Federal Proceeds			\$xx,xxx		
Restricted from Other Proceeds			\$xx,xxx		
Restricted from Impact Fee Proceeds			\$xx,xxx		
Restricted from Mitigation Fee Proceeds			\$xx,xxx		
Restricted from Undistributed Proceeds			\$xx,xxx		
Committed Fund Balance					
For Economic Stabilization	\$xx,xxx				
Other Commitments	\$xx,xxx	\$xx,xxx	\$xx,xxx	\$xx,xxx	\$xx,xxx
Assigned Fund Balance					

	General Fund	ASB Fund	Capital Projects Fund	Debt Service Fund	Transportation Vehicle Fund
Contingencies	\$xx,xxx				
Other Capital Projects	\$xx,xxx				
Other Purposes	\$xx,xxx				
Fund Purposes		\$xx,xxx	\$xx,xxx	\$xx,xxx	\$xx,xxx
Unassigned Fund Balance	\$xx,xxx				

(On {date}, the board of directors took an action to commit a portion of the District's ending balance towards {describe the reason for the commitment}. The amount of fund balance that has been set aside may only be used for that purpose. It cannot be used for any other purpose of the District.)^②

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

NOTE X: POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS—BOTH IN SEPARATELY ISSUED PLAN FINANCIAL STATEMENTS AND EMPLOYER STATEMENTS^⑤

457 Plan – Deferred Compensation Plan

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

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

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

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

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

NOTE X: TERMINATION BENEFITS

Compensated Absences

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

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

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

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

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

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

NOTE X: VIOLATION OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

Disclose significant violations of finance-related legal or contractual provisions, including funds reporting negative total fund balance. Include a description of the violation(s) and action(s) taken to address the violation(s).

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

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

Notes to preparer

If there are other conditions other than binding conditions that give doubt as to the district's ability to operate as a going concern, it should be disclosed here. Such disclosures should include the following:

- 1. Pertinent conditions and events giving rise to the assessment of substantial doubt about the government's ability to continue as a going concern for a reasonable period of time,*
- 2. The possible effects of such conditions and events,*
- 3. Government officials' evaluation of the significance of those conditions and events and any mitigating factors,*
- 4. Possible discontinuance of operations,*
- 5. Government officials' plans,*
- 6. Information about the recoverability or classification of recorded asset amounts or the amounts or classification of liabilities.*

NOTE X: OTHER DISCLOSURES

Self-Insurance—Security Deposit^⑤

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

(Skill Center Core Campus Note)^⑤

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

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

As host district, the District has the following responsibilities:

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

Sources of Funding

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

Capital Improvements

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

<u>Effective Date</u>	<u>Supersedes</u>	<u>Form</u>	<u>Chapter</u>	<u>Section</u>	<u>Page</u>
9/1/18	9/1/17		F-196	OCBOA (F-196)	48

Unspent Funds

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

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

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

The statements of that district reflect the portion of total Skill Center operations that pertain to the operation of the Branch Campus alone.

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

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

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

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

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

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

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

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

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

INSTRUCTIONS

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

Notes in financial reporting are the responsibility of the school district, not the auditor, and accordingly are subject to audit as an integral part of the 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.
- Example notes presented in the *ABFR Handbook* are considered the minimum requirement for disclosure, as applicable. Since the basis of accounting is other than GAAP, disclosures required for fair presentation include a description of the basis of accounting, how it differs from GAAP and disclosures similar to those required by GAAP for any elements presented in the financial statements that are similar to GAAP. Additional disclosures not specifically shown as examples may also be required to achieve fair presentation for unique facts and circumstances.
- Notes should not include irrelevant, obsolete, trivial or superfluous information. For example, Districts 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.

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

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

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

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

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

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

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

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

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

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

①Prepare 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.)

②OSPI will update the rates and participant information used in this Note on an annual basis, when the information is received from the Department of Retirement Systems. The updated information will be available on the Accounting Manual web page on the SAFS website when ready. Districts should use that information when preparing their Notes.

③If investments are uninsured, unregistered and held by the counterpart's trust department or agency in the district's name, disclose the circumstances.

④The investments may be presented at cost, fair market value, etc.

⑤ List all investments (including invested surplus of cash). Do not include investment in real property.

⑥ Column 1 should include investments accounted for in governmental (including permanent) funds.

⑦ Column 2 should include all the investments accounted for in agency, private-purpose, pension and investment funds.

⑧ Note 11 – Note to preparer:

Provide a general description of the principal purpose of the interfund transfer.

Provide a detailed description of the purpose for significant interfund transfers. A transfer is considered significant if it meets either or both of the following criteria:

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