**South Dakota Public Assurance Alliance Change in Reporting Memorandum**

The South Dakota Public Assurance Alliance (SDPAA) adopted a new policy on member departures, effective October 5, 2021.

Departing Members will no longer be eligible for any partial refund of the calculated portion of their contributions which was previously allowed under Article IX of the Intergovernmental Contract (IGC). The prior IGC provided the departing Member with such a partial refund because the departing Member took sole responsibility for all claims and claims expenses whether reported or unreported at the time of their departure from the SDPAA. With such partial refund being no longer available, the SDPAA will now assume responsibility for all reported claims of a departing Member pursuant to the revised IGC.

The SDPAA eliminated the provision to preserve Members’ collective resources for loss control efforts and other efforts that benefit all the Members and the public. In recognition of the elimination of this partial refund that was intended for the payment of such claims and expenses that the departing Member retained, the SDPAA will now retain any reported claims of a departing Member. The departing Member continues to assume all responsibility for any unreported claims as provided in the IGC.

Due to the adoption of the new policy by the SDPAA, the reporting of the "vested amount at coverage term" that was previously reported as an asset (Deposits) at the end of the year will need to be eliminated. The amount that was previously reported was based on information put together by an actuary, or an “estimate” in accounting terms.

We are suggesting the following procedures for eliminating the Deposit amount reported:

**SDPAA Recording and Note Disclosure Instructions**:

**GAAP Basis Reporting Entities**:

Balance Sheet accounts affected are as follows:

Fund Financial statements:

- Deposits and Nonspendable Fund Balance (Eliminate Reporting)

Government-wide financial statements:

- Deposits (Other Assets) and Restricted Net Asset (Eliminate Reporting)

Operating Statement / Statement of Activities affect:

The elimination of the Deposit amount should be reported as “Change in Accounting Estimate (See Note \_\_) right before the Beginning Fund Balance/Net Position.

Complete applicable note (example below) in the Notes to the Financial Statements.

**Special Purpose Reporting (SPR) Reporting Entities**: (Cash/Modified Cash Basis)

Cash basis entities will not need to eliminate Deposit; unless, they had reported the amount in the past. However, they should still disclose the information in the Notes to the Financial Statements.

The revised “Risk Management - Liability Insurance” note is below.

XX. RISK MANAGEMENT

**…**

 Liability Insurance:

The **County/Municipality** joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities.The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The County’s responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the County. The County pays a Members’ Annual Operating Contribution, to provide liability coverage detailed below, under an occurrence-based policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The County pays an annual premium to the pool to provide coverage for:

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**(INSERT ITEMS COVERED SUCH AS AUTOMOBILE LIABILITY AND SO ON)**

Effective October 5, 2021, the SDPAA adopted a new policy on member departures. Departing Members will no longer be eligible for any partial refund of the calculated portion of their contributions which was previously allowed. The prior policy provided the departing Member with such a partial refund because the departing Member took sole responsibility for all claims and claims expenses whether reported or unreported at the time of their departure from the SDPAA. With such partial refund being no longer available, the SDPAA will now assume responsibility for all reported claims of a departing Member pursuant to the revised IGC.

***(Delete or Modify the following paragraph as needed)***

The **County/Municipality** reflected the effects of the new SDPAA policy in the financial statements as a Change in Accounting Estimate in the Statement of Activities and the Fund Operating Statements and also eliminated the reporting of the Deposit on the Statement of Net Position and Fund Balance Sheet.

The County carries a $ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ deductible for the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ coverage **(INSERT TYPE OF COVERAGE APPLICABLE)** and $ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ deductible for the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ coverage **(INSERT TYPE OF COVERAGE APPLICABLE.)**

The County does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.