Office of Auditor of State of Iowa

Financial Report
June 30, 2015

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Independent Auditor's Report

The Auditor of State of Iowa
Des Moines, Iowa

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities and the General Fund of the Office of Auditor of State of Iowa (the Office), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Office of Auditor of State of Iowa's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Office's preparation and fair presentation of its financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Office of Auditor of State of Iowa, as of June 30, 2015, and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters
As discussed in Note 1 to the financial statements, the financial statements of the Office of Auditor of State of Iowa are intended to present the financial position and changes in financial position of only that portion of the General Fund and governmental activities of the State of Iowa that are attributable to the transactions of the Office of Auditor of State of Iowa. They do not purport to, and do not, present fairly the financial position of the State of Iowa as of June 30, 2015, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As explained in Note 7, the Office of Auditor of State of Iowa adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which restated beginning net position of the governmental activities to record the net pension liability and deferred outflows of resources.

As explained in Note 7, the beginning net position of the governmental activities has been restated to correct an error resulting in the removal of the previously reported due from state treasurer future periods balance.

Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis on pages 3 through 6, pension plan schedules on pages 25 through 29 and the Budgetary Comparison Schedule on pages 23 and 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2016 on our consideration of the Office's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Office's internal control over financial reporting and compliance.

RSM US LLP

Des Moines, Iowa
October 3, 2016

Office of Auditor of State of Iowa

Management's Discussion and Analysis
Year Ended June 30, 2015

Management of the Office of Auditor of State of Iowa (the Office) provides this Management's Discussion and Analysis of the Office's annual financial statements. This narrative overview and analysis of the financial activities of the Office is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the Office's financial statements and footnotes, which follow this section.

Financial Highlights

The Office implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* during fiscal year 2015. The beginning net position for governmental activities was restated by $4,826,356 to retroactively report the net pension liability as of July 1, 2014 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Pension expense for fiscal year 2014 and the net pension liability, deferred outflows of resources and deferred inflows of resources at June 30, 2014 were not restated because the information needed to restate those amounts was not available. The Office also restated governmental activities net position as of July 1, 2014 for ($1,133,842) to correct an error related to reporting revenue from an appropriation for a future year.

The Office's State appropriation increased 3.3%, or approximately $30,000, over the prior year. Governmental activities program revenues increased 3.6%, or approximately $318,000, from fiscal year 2014 to fiscal year 2015.

Office expenses increased 3.0%, or approximately $277,000, from fiscal year 2014 to fiscal year 2015. Personal services, which represent approximately 89% of the Office's budget, increased 1.5%, or approximately $121,000, while all other expenses increased 16.8%, or approximately $156,000.

Using this Annual Report

This discussion and analysis is intended to serve as an introduction to the Office's basic financial statements. The Office's basic financial statements consist of a series of financial statements. The Governmental Fund Balance Sheet/Statement of Net Position (Deficit) and the Statement of Revenues, Expenditures and Changes in Fund Balance/Statement of Activities (on pages 7 and 8) provide information from a fund perspective as well as information about the activities of the Office as a whole with a longer-term view of the Office's finances. These basic financial statements also include the Notes to Financial Statements which explain some of the information in the financial statements and provide more detail.

Reporting the Office as a Whole

The Governmental Fund Balance Sheet/Statement of Net Position (Deficit) and the Statement of Revenues, Expenditures and Changes in Fund Balance/Statement of Activities report information about the Office as a whole and about its activities. These statements include the General Fund reported on a modified accrual basis of accounting with adjustments to report all assets, liabilities and activities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies.

The Statement of Net Position (Deficit) presents all of the Office's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as "net position (deficit)." Over time, increases or decreases in the Office's net position (deficit) may serve as a useful indicator of whether the financial position of the Office is improving or deteriorating.

The Statement of Activities presents information showing how the Office's net position (deficit) changed during the fiscal year. All changes in net position (deficit) are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal years.

Financial Analysis of the Office

The Office has deficit total net position. This indicates the Office's long-term liabilities, primarily compensated absences, other postemployment benefits (OPEB) and net pension liability, exceed the Office's ability to pay those liabilities without additional funding. This is not unusual because the Office function requires a greater percent of personnel costs than capital assets.

State law does not allow agencies to retain funds at year-end to make future payments of accrued compensated absences, OPEB or net pension liability at year-end. Instead, those liabilities must be paid from the resources of future years when the accrued compensated absences, OPEB or net pension liability are paid. The following table presents a summary of the Office's net position (deficit) as of June 30, 2015 and 2014:

	2015	2014 (Not Restated for GASB 68 and 71)
Assets:		
Current assets	$ 2,452,155	2,651,782
Noncurrent assets	56,733	35,726
Total assets	2,508,888	2,687,508
Pension related deferred outflows of resources	772,563	-
Liabilities:		
Current liabilities	1,818,616	2,468,414
Long-term liabilities	5,340,968	1,392,213
Total liabilities	7,159,584	3,860,627
Pension related deferred inflows of resources	1,532,741	-
Net position (deficit):		
Investment in capital assets	56,733	35,726
Restricted	902,665	728,062
Unrestricted	(6,370,272)	(1,936,907)
Total net position (deficit)	$ (5,410,874)	$ (1,173,119)

The significant increase in the unrestricted deficit is due to the recognition of the net pension liability due to implementation of GASB Statement No. 68 during the year.

The largest expense in total for the Office is salaries and benefits, which accounts for approximately 89% of all expenses in fiscal year 2015 and approximately 90% in 2014. The following table presents a summary of the changes in net position (deficit) for the years ended June 30, 2015 and 2014:

	2015	2014 (Not Restated for GASB 68 and 71)
Revenues:		
Program revenues:		
Audit fees, annual examination fees and expense reimbursements	$ 8,274,766	7,980,733
Periodic examination fees, filing fees and miscellaneous	924,380	900,660
General revenues, state appropriation	944,777	914,811
Total revenues	10,143,923	9,796,204
Expenses:		
Personal services	8,470,321	8,349,212
Travel	394,616	411,615
Materials and services	674,958	499,913
Depreciation	15,427	17,617
Total expenses	9,555,322	9,278,357
Increase in net position	588,601	517,847
Net position (deficit), beginning of year, as restated	(5,999,475)	(1,690,966)
Net position (deficit), end of year	$ (5,410,874)	$ (1,173,119)

General Fund Budgetary Highlights

Over the course of the year, the Office adjusted its General Fund budget three times. The adjustments were made in October 2014, December 2014 and April 2015 for the purpose of re-aligning estimates of receipts and expenditures based on actual transactions incurred and work plan adjustments made throughout the fiscal year.

The Office ended the fiscal year with total actual revenues less than budgeted revenues by $540,839, a variance of 5.6%. Total actual expenditures were $715,442 less than budgeted, a variance of 6.8%. The reason for the significant decrease in revenues from budget was from filing fees for city examinations. The reduction in expenditures from the original and revised budgets was due to a significant increase in staff attrition during the fiscal year, which negatively impacted the amount of audit and examination work able to be performed.

The Office reverted $4,528 in accordance with Chapter 8 of the Code of Iowa.

A schedule showing the original and final budget amounts compared to the Office's actual financial activity is found on page 23 of this report.

Capital Assets

The Office's investment in capital assets is comprised of servers, printers and copiers, many of which are fully depreciated and should be replaced. The budget for fiscal year 2015 included minimal funds for essential capital assets. See Note 4 for additional information about the Office's capital assets.

Economic Factors and Next Year's Budget

The Office's management considered many factors when setting the fiscal year 2016 budget and the fees charged for audit services. One of those factors is the condition of the economy and the stress it continues to place on the State's budget.

Office management continues to consider available options and alternatives to managing its limited resources, whether the limited resources are a result of staff attrition or reductions in state appropriations received to operate the Office. Regardless of the options and alternatives implemented, the amount of audit and examination work performed and the amount of oversight and other services provided each year has been, and will continue to be, the maximum which can be provided with the available resources.

Contacting the Office of Auditor of State's Financial Management

This financial report is designed to present users with a general overview of the Office's finances and to demonstrate the Office's accountability for funds generated and expended. If you have any questions about the report or need additional financial information, please contact the Administration Division, Office of Auditor of State, State Capitol Building, Des Moines, Iowa 50319.

Office of Auditor of State of Iowa

Governmental Fund Balance Sheet/Statement of Net Position (Deficit)
June 30, 2015

	General Fund Balance Sheet	Adjustments	Statement of Net Position (Deficit)
Assets			
Accounts receivable	$ 2,130,548	-	2,130,548
Work in process	321,607	-	321,607
Capital assets, net of accumulated depreciation of $84,742	-	56,733	56,733
Total assets	2,452,155	56,733	2,508,888
Deferred outflows of resources			
Pension related deferred outflows of resources	-	772,563	772,563
Total assets and deferred outflows of resources	$ 2,452,155		
Liabilities			
Due to State Treasurer - reimbursable advances	$ 875,582	-	875,582
Accounts payable	34,534	-	34,534
Accrued salaries	310,283	-	310,283
Accrued travel expenses	7,484	-	7,484
Compensated absences, OPEB and net pension liability:			
Due within one year	-	590,733	590,733
Due after one year	-	5,340,968	5,340,968
Total liabilities	1,227,883	5,931,701	7,159,584
Deferred inflows of resources			
Unavailable revenues	321,607	(321,607)	-
Pension related deferred inflows of resources	-	1,532,741	1,532,741
Total deferred inflows of resources	321,607	1,211,134	1,532,741
Fund balance			
Restricted for reaudits and workpaper reviews and City examinations	902,665	(902,665)	-
Total liabilities, deferred inflows of resources and fund balance	$ 2,452,155		
Net position (deficit)			
Investment in capital assets		56,733	56,733
Restricted for reaudits and workpaper reviews		902,665	902,665
Unrestricted		(6,370,272)	(6,370,272)
Total net position (deficit)		$ (5,410,874)	(5,410,874)

See Notes to Financial Statements.

Office of Auditor of State of Iowa

Statement of Revenues, Expenditures and Changes in Fund Balance/Statement of Activities
Year Ended June 30, 2015

	General Fund Statement of Revenues, Expenditures and Changes in Fund Balance	Adjustments	Statement of Activities
Revenues:			
Program revenues:			
Audit fees, annual examination fees and expense reimbursements	$ 8,169,180	105,586	8,274,766
Periodic examination fees, filing fees and miscellaneous	924,380	-	924,380
Total program revenues	9,093,560	105,586	9,199,146
General revenues, state appropriation	944,777	-	944,777
Total revenues	10,038,337	105,586	10,143,923
Expenditures/expenses:			
Administration and regulation:			
Personal services	8,757,726	(287,405)	8,470,321
Travel	394,616	-	394,616
Office supplies	35,209	-	35,209
Professional supplies	6,592	-	6,592
Printing and binding	10,183	-	10,183
Communications	37,307	-	37,307
Professional services	216,708	-	216,708
Outside services and repairs	34,821	-	34,821
Data processing	145,592	(43,514)	102,078
Reimbursements	196,841	-	196,841
Office equipment	1,693	-	1,693
Other expenses	26,446	-	26,446
Total administration and regulation	9,863,734	(330,919)	9,532,815
Depreciation	-	15,427	15,427
Loss on the disposal of capital assets	-	7,080	7,080
Total expenditures/expenses	9,863,734	(308,412)	9,555,322
Net change in fund balance/net position (deficit)	174,603	413,998	588,601
Fund balance/net position (deficit), beginning of year, as restated	728,062	(6,727,537)	(5,999,475)
Fund balance/net position (deficit), end of year	$ 902,665	(6,313,539)	(5,410,874)

See Notes to Financial Statements.

Note 1. Reporting Entity, Summary of Significant Accounting Policies and Measurement Focus and Basis of Accounting

Reporting Entity:

The Office of Auditor of State of Iowa (the Office) was established under Chapter 11 of the State Code of Iowa and is required by law to make full settlement at least once a year between the State of Iowa (the State) and all State offices and departments and all political subdivisions of the State receiving or expending State funds. The Office is also required to make a complete audit of the books, records and accounts of every department of State government and may perform audits of grant programs and various governmental subdivisions.

The Office has responsibility for audits of counties, cities, school districts, certain county and memorial hospitals, merged areas, area education agencies and certain entities organized under Chapter 28E of the Code of Iowa. The Office also has responsibility for examinations of cities.

In addition to these audits and examinations, the Office is required by law to audit the accounts, records and documents of the State Treasury daily.

Summary of Significant Accounting Policies:

The accounting and reporting policies of the Office relating to the fund included in the accompanying financial statements conform to U.S. generally accepted accounting principles (GAAP) applicable to state and local governments. The Office is considered an integral part of the State reporting unit. The accompanying financial statements present only that portion of the General Fund of the State that is attributable to the transactions of the Office. The following represents the more significant accounting and reporting policies and practices used by the Office.

Office-Wide and Fund Financial Statements: The financial statements on pages 7 and 8 combine both an office-wide perspective (right-hand column on the financial statements) and a governmental fund perspective (left-hand column on the financial statements).

The General Fund comprises the Office’s governmental fund type. This fund is the general operating fund of the Office and the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources of the fund is referred to as “fund balance.”

The office-wide financial statements, the Statement of Net Position (Deficit) and the Statement of Activities, report information on all of the activities of the Office. Governmental activities are those normally supported by intergovernmental revenues.

Note 1. Reporting Entity, Summary of Significant Accounting Policies and Measurement Focus and Basis of Accounting (Continued)

The Statement of Activities presents the Office's direct expenses, program revenues and general revenues. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided. State appropriation is reported as general revenues.

Measurement Focus and Basis of Accounting:

The office-wide financial statements are reported using the "economic resources measurement focus" and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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 both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the Office considers revenues to be available if they are collected within 75 days after the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgements are recorded only when payment is due.

<u>Deferred Outflows of Resources</u>: Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the Office after the measurement date but before the end of the Office's reporting period.

<u>Due to State Treasurer – Reimbursable Advances</u>: Reimbursable advances represent payments made by the Treasurer of State on behalf of the Office that will be repaid upon reimbursement from other governmental units and departments for accounts receivable.

<u>Capital Assets</u>: Capital assets for the Office consist of equipment. Capital assets are defined by the Office as assets with an initial individual cost of more than $5,000 and an estimated useful life of two or more years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives for equipment is five years.

Note 1. Reporting Entity, Summary of Significant Accounting Policies and Measurement Focus and Basis of Accounting (Continued)

Deferred Inflows of Resources: Unavailable revenues represents the amount of work in process that has been recognized in the governmental fund financial statements but the related revenue has not been recognized since the work in process is not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources also consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments and the change in proportion share in the pension plan.

Compensated Absences: For all General Fund employees, vacation and sick leave (compensated absences) are accrued on the basis of the number of hours earned, unused balances and payment probability in the office-wide financial statements. A liability is reported in the governmental funds only if benefits are a result of employee resignations or retirements.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, 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.

Use of Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

Fund Balance: In the governmental fund financial statements, the fund balance is classified as restricted. Amounts are restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

The fund balance restricted at June 30, 2015 of $902,665 consists of filing fees collected and maintained for use in the performance of reaudits, workpaper reviews and city examinations in accordance with Chapter 11.6 of the Code of Iowa.

Note 1. Reporting Entity, Summary of Significant Accounting Policies and Measurement Focus and Basis of Accounting (Continued)

Net Position: Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources or investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted through enabling legislation totaled $902,665 as of June 30, 2015 and consists of filing fees collected and maintained for use in the performance of reaudits, workpaper reviews and city examinations.

The Office first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Note 2. Pension and Retirement Benefits

Plan Description: Employees of the Office are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS membership is mandatory for employees of the Office. IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits: A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Note 2. Pension and Retirement Benefits (Continued)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits: A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions: Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the Office contributed 8.93% of covered payroll for a total rate of 14.88%.

The Office's contributions to IPERS for the year ended June 30, 2015 were $565,851.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2015, the Office's liability for its proportionate share of the collective net pension liability totaled $3,758,389. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Office's proportion of the net pension liability was based on the Office's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2014, the Office's proportion was 0.0947675%, which was an increase of 0.001065% from its proportion measured as of June 30, 2013.

Note 2. Pension and Retirement Benefits (Continued)

For the year ended June 30, 2015, the Office recognized pension expense of $258,062. At June 30, 2015, the Office reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 40,846	-
Changes of assumptions	165,866	-
Net difference between projected and actual earnings earnings on IPERS' investments	-	1,433,342
Changes in proportion and differences between Office contributions and the Office's proportionate share of contributions	-	99,399
Office contributions subsequent to the measurement date	565,851	-
Total	$ 772,563	1,532,741

$565,851 reported as deferred outflows of resources related to pensions resulting from Office contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2016	$ (333,263)
2017	(333,263)
2018	(333,263)
2019	(333,263)
2020	7,023
Total	$ (1,326,029)

Deferred outflows and deferred inflows of resources for differences between expected and actual plan experience, changes in assumptions and changes in proportion will be recognized over a closed period equal to the average of the expected remaining service lives of all employees (active employees, vested, terminated and retires) as of the beginning of the measurement period, currently 5.28 years. Deferred inflows of resources for differences between projected and actual earnings on IPERS' investments will be recognized over a closed five-year period.

There were no non-employer contributing entities to IPERS.

Note 2. Pension and Retirement Benefits (Continued)

Actuarial Assumptions: The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation Rates vary by membership group
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
US Equity	23%	6.31%
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100%	

Note 2. Pension and Retirement Benefits (Continued)

Discount Rate: The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the Office will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Office's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the Office's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the Office's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Office's proportionate share of the net pension liability	$ 7,101,371	3,758,389	936,566

IPERS Fiduciary Net Position: Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS: At June 30, 2015, the Office reported payables to IPERS of $18,088 for legally required employer contributions and $12,052 for legally required employee contributions which has been withheld from employee wages but not yet remitted to IPERS.

Note 3. Compensated Absences, Other Postemployment Benefits (OPEB) and Net Pension Liability

Changes in compensated absences, other postemployment benefit obligations and net pension liability for the year ended June 30, 2015 are summarized as follows:

	Balance Beginning of Year (as Restated)	Additions	Deletions	Balance End of Year	Due Within One Year
Compensated absences	$ 868,503	573,380	564,524	877,359	546,151
SLIP	686,374	57,730	50,349	693,755	44,582
SERIP	63,710	-	63,710	-	-
Net OPEB liability	534,341	67,857	-	602,198	-
Net pension liability	5,380,121	-	1,621,732	3,758,389	-
Total	$ 7,533,049	698,967	2,300,315	5,931,701	590,733

Note 3. Compensated Absences, Other Postemployment Benefits (OPEB) and Net Pension Liability (Continued)

Sick Leave Insurance Program (SLIP): Included in the accrued compensated absences and OPEB liability for the year ended June 30, 2015 is the cost of a voluntary termination benefit program entitled Sick Leave Insurance Program (SLIP). The program is an opportunity for employees who are retirement-eligible to use the value of their unused sick leave to pay the Office's share of the monthly premium of the State's group health insurance plan after their retirement.

Upon retirement, employees shall first receive a cash payment for accumulated, unused sick leave converted at the employee's current regular hourly rate of pay, up to $2,000, payable with the final payroll which includes the employee's retirement date. The value of the remaining balance of the accrued sick leave will be converted based upon the original balance (before the cash payment). The remainder of the sick leave value is calculated as follows, based on the number of sick leave hours the employee had before the cash payment:

If the sick leave balance is:	The conversion rate is:
Zero to 750 hours	60% of the value
Over 750 hours to 1,500 hours	80% of the value
Over 1,500 hours	100% of the value

The final calculated dollar value will be credited to the employee's SLIP account. Each month, the Office will pay 100% of the employer's share of the selected state group health insurance premium from the retiree's SLIP account. The retiree is responsible for any additional premiums associated with the employee/retiree share.

The Office will continue to pay the Office's share of the health insurance premium each month until the converted value of the employee's sick leave balance is exhausted, the employee is eligible for Medicare, the employee waives the benefit or the employee dies, whichever comes first. The retired employees may stay with the same health insurance program as when employed or switch down at any time without underwriting. The converted value of the sick leave can only be applied to the Office's share of health insurance premium payments. It has no cash value and is not transferable to another use or to an heir. If a retired employee who has utilized this benefit returns to permanent state employment, all remaining balances in the sick leave insurance program will be forfeited.

All SLIP program benefits are financed on a pay-as-you-go basis. For the year ended June 30, 2015, four retired employees received benefits totaling $50,349 under the SLIP program. The remaining liability for current retirees as of June 30, 2015 is $115,533. The estimated liability for future retirees under the SLIP program as of June 30, 2015 is $578,222.

State Employee Retirement Incentive Program (SERIP): On February 10, 2010, the Governor signed into law a State Employee Retirement Incentive Program (SERIP) for eligible executive branch employees. To be eligible, an employee must have been employed on February 10, 2010, be age 55 or older on July 31, 2010 and terminate employment no later than June 24, 2010.

Note 3. Compensated Absences, Other Postemployment Benefits (OPEB) and Net Pension Liability (Continued)

Participants in SERIP will receive the following incentives:

1) Unused sick leave – A cash payment of the monetary value of the participant's accrued sick leave balance, not to exceed $2,000. The payment is calculated by multiplying the number of hours of accrued sick leave by the participant's regular hourly rate of pay at the time of retirement. This payment was made in fiscal year 2010 on the participant's last pay check.

2) Health insurance – A minimum of 5 years of state contributions toward the premiums of a state-sponsored health insurance plan, either through the Sick Leave Insurance Program (SLIP), SERIP or a combination of both programs.

3) Unused vacation and years of service incentive – Cash payments, including the entire value of the participant's accrued but unused vacation leave and, for participants with at least 10 years of state employment, $1,000 for each year of state employment, up to 25 years of employment. The total unused vacation leave and years of service incentive shall be paid in five equal installments beginning in September 2010 and ending in 2014.

In the event a SERIP participant dies within 5 years of termination of employment, the participant's beneficiary will receive any remaining unpaid vacation leave and years of service incentive payments. If the participant's surviving spouse is covered on the participant's state retiree health insurance plan, the surviving spouse may elect to continue health insurance coverage and will receive any remaining health insurance contribution benefits under SERIP. If the surviving spouse was not covered by the participant's insurance plan, or if there is no surviving spouse, any remaining health insurance contribution benefits are forfeited.

Participants in SERIP are not eligible to accept any further employment with the state, other than as an elected official or a member of a board or commission, from the date of termination of employment. Participants may not enter into contracts to provide services to the state as independent contractors or consultants.

SERIP is financed on a pay-as-you go basis by the Office.

For the year ended June 30, 2015, SERIP costs for four participants totaled $63,710.

Note 3. Compensated Absences, Other Postemployment Benefits (OPEB) and Net Pension Liability (Continued)

Other Postemployment Benefits: As a part of the State of Iowa, the Office participates in the State of Iowa postretirement medical plan (OPEB Plan). The OPEB Plan recognizes the implicit rate subsidy as required by GASB Statement No. 45.

The actuarial valuation of liabilities under the OPEB Plan is calculated using the entry age normal cost method as of the July 1, 2014 actuarial valuation. This method requires the calculation of an unfunded actuarial accrued liability, which was approximately $218,000,000 for the State of Iowa at June 30, 2015. The Office recognized a net OPEB liability of $602,198 for other postemployment benefits, which represents the Office's portion of the State's total net OPEB obligation of approximately $140,045,000. The Office's portion of the net OPEB obligation was calculated using the ratio of full time equivalent employees of the Office compared to the full time equivalent employees of the State of Iowa.

Details of the OPEB Plan and the required supplementary information are provided on a state-wide basis and are available in the State of Iowa's Comprehensive Annual Financial Report for the year ended June 30, 2015. The report may be obtained by writing to the Iowa Department of Administrative Services, Hoover State Office Building, Des Moines, Iowa 50319.

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2015 is as follows:

	Balance beginning of year	Additions	Deletions	Balance end of year
Equipment	$ 111,236	43,514	13,275	141,475
Less accumulated depreciation	75,510	15,427	6,195	84,742
Capital assets, net	$ 35,726	28,087	7,080	56,733

Note 5. Reconciliation of the Office-wide and Fund Financial Statements

Explanations of the differences between the General Fund Balance Sheet and the Statement of Net Position (Deficit) are as follows:

Total fund balance of the Office of $902,665 differs from the net position (deficit) of governmental activities of $(5,410,874) reported in the Statement of Net Position (Deficit). This difference primarily results from the long-term economic focus of the Statement of Net Position (Deficit) versus the current financial resources of the General Fund Balance Sheet.		$ 902,665
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported as follows:		
Pension related deferred outflows of resources	$ 772,563	
Pension related deferred inflows of resources	(1,532,741)	(760,178)
Other long-term assets are not available to pay current year expenditures, and, therefore, are recognized as deferred inflows of resources in the governmental funds.		321,607
When capital assets (equipment) to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in the General Fund. However, the Statement of Net Position (Deficit) includes those capital assets among the assets of the Office as a whole, net of accumulated depreciation as follows:		
Capital assets	141,475	
Accumulated depreciation	(84,742)	56,733
Long-term liabilities applicable to the Office's governmental activities are not due and payable in the current year and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position (Deficit), as follows:		
Compensated absences, OPEB and net pension liability		(5,931,701)
Total net position (deficit)		$ (5,410,874)

Note 5. Reconciliation of the Office-wide and Fund Financial Statements (Continued)

Explanations of the differences between General Fund Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities are as follows:

The net change in fund balance of $174,603 in the General Fund differs from the change in net position for governmental activities of $588,601 reported in the Statement of Activities. The difference results primarily from the long-term economic focus of the Statement of Activities versus the current financial resources focus of the General Fund. The main components of the difference are described below.		
Net change in fund balances - General Fund		$ 174,603
Because some audit and examination fees and expense reimbursements will not be collected for several months after the Office's fiscal year ends, they are not considered available revenues in the General Fund.		
Unavailable revenue - work in process		105,586
The current year Office IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position (Deficit).		565,851
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the General Fund, as follows:		
Net change in compensated absences and other postemployment benefit obligations		(20,384)
Pension expense		(258,062)
When capital assets to be used in governmental activities are purchased, the resources expended for those assets are reported as expenditures in the General Fund. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and is reported as depreciation expense. This is the amount by which capital expenditures exceeded depreciation expense in the current year.		
Depreciation expense	$ (15,427)	
Capital outlay	43,514	
Loss on the disposal of capital assets	(7,080)	21,007
Change in net position (deficit) of governmental activities		$ 588,601

Note 6. Risk Management

State employee benefits for health, dental, long-term disability and life insurance coverage are insured through commercial insurers. There were no significant reductions in insurance coverage from the prior year and settlements have not exceeded coverage for the past three fiscal years.

The State of Iowa self-insures on behalf of its agencies for losses related to workers' compensation, its motor vehicle fleet, property damage and torts. A contingent fund exists under Chapter 29C.20 of the Code of Iowa to provide compensation for loss or damage to state property (casualty losses).

Note 7. Restatements

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB Statement No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Beginning net position for governmental activities was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows.

The due from state treasurer-future periods was eliminated to correct an error related to reporting revenue from an appropriation for a future year.

	Governmental Activities
Net position June 30, 2014, as previously reported	$ (39,277)
Due from state treasurer-future periods	(1,133,842)
Net pension liability at June 30, 2014	(5,380,121)
Deferred outflows of resources related to prior year contributions made after the June 30, 2013 measurement date	553,765
Net position July 1, 2014, as restated	$ (5,999,475)

The change in net position for the governmental activities for the year ended June 30, 2014 as previously reported was $469,696. The impact of the above correction of error had a $48,151 effect, increasing the change in net position which as restated totaled $517,847. The remaining Due from State Treasurer – Future Periods error of $1,181,993 related to prior periods.

Note 8. Current Accounting Developments

The GASB has issued the following Statements not yet implemented by the Office. The Statements which might impact the Office are as follows:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Then Pensions*, issued in June 2015, will be effective for the Office beginning with its fiscal year ending June 30, 2018. The Statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* and requires governments to report a liability on the face of the financial statements for the OPEB they provide and outlines the reporting requirements by governments for defined benefit OPEB plans administered through a trust, cost sharing OPEB plans administered through a trust and OPEB not provided through a trust. The Statement also requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. Some governments are legally responsible to make contributions directly to an OPEB plan or make benefit payments directly as OPEB comes due for employees of other governments. In certain circumstances, called special funding situations, the Statement requires these governments to recognize in their financial statements a share of the other government's net OPEB liability.

- GASB Statement No. 82, *Pension Issues — An amendment of GASB Statements No. 67, No. 68 and No. 73*, issued March 2016, will be effective for the Office beginning with its fiscal year ending June 30, 2017. The Statement clarifies that a deviation from the guidance in Actuarial Standards of Practice issued by the Actuarial Standards Board is not in conformity with the guidance of Statements Nos. 67, 68 or 73 for the selection of assumptions used in determining the total pension liability and related measures. This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement No. 67 and as employee contributions for purposes of Statement No. 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits).

Management is currently evaluating the impact these Statements will have on the Office's financial statements.

Office of Auditor of State of Iowa

Required Supplementary Information
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget
Program revenues:				
Audit fees, annual examination fees and expense reimbursements	$ 8,632,108	8,001,561	8,169,180	167,619
Periodic examination fees, filing fees and miscellaneous	547,500	1,632,838	924,380	(708,458)
Total revenues	9,179,608	9,634,399	9,093,560	(540,839)
Expenditures:				
Personal services	8,948,737	9,039,604	8,757,726	281,878
Travel	393,000	443,270	394,616	48,654
Office supplies	42,000	42,000	35,209	6,791
Professional supplies	13,500	7,500	6,592	908
Printing and binding	10,000	10,700	10,183	517
Communications	39,500	39,000	37,307	1,693
Professional services	91,700	464,550	216,708	247,842
Outside services and repairs	33,000	28,400	34,821	(6,421)
Data processing	130,000	275,000	145,592	129,408
Reimbursements	183,595	208,552	196,841	11,711
Office equipment	6,000	5,000	1,693	3,307
Other expenses	233,082	15,600	26,446	(10,846)
Total expenditures	10,124,114	10,579,176	9,863,734	715,442
Net change in fund balance	(944,506)	(944,777)	(770,174)	174,603
State appropriation	944,506	944,777	944,777	-
Fund balance, beginning of year	-	-	728,062	728,062
Fund balance, end of year	$ -	-	902,665	902,665

See Note to Required Supplementary Information.

Office of Auditor of State of Iowa

Note to Required Supplementary Information – Budgetary Information

Budgetary control is exercised over the Office's General Fund through the budgetary process prescribed in Chapter 8 of the Code of Iowa. Each department of the State prepares estimates of expenditures and income for each ensuing fiscal year. These estimates are transmitted to the Department of Management, which prepares and submits a tentative budget to the Governor. After holding public hearings, the Governor prepares and transmits a budget to the State Legislature. The State Legislature appropriates funds to the various departments based on the budget as adjusted through the appropriation process. Formal and legal budgetary control is based on total operating expenditures by appropriation unit. No obligation can be incurred subsequent to June 30 for which an appropriation is made. On August 31, following the close of each fiscal year, all unencumbered or unobligated balances of appropriations revert to the State Treasury and to the credit of the fund from which the appropriations were made.

The General Fund budget is prepared on a basis consistent with GAAP. The actual results of operations are presented in the Budgetary Comparison Schedule – General Fund in accordance with the appropriated budget basis to provide a meaningful comparison of actual results with the budget.

Office of Auditor of State of Iowa

Required Supplementary Information
Schedule of the Office's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
Last Fiscal Year
(In Thousands)

	2015
Office's proportion of the net pension liability	0.0947675%
Office's proportionate share of the net pension liability	$ 3,758
Office's covered-employee payroll	$ 6,229
Office's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.33%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

See Accompanying Independent Auditor's Report.

Office of Auditor of State of Iowa

Required Supplementary Information
Schedule of Office Contributions
Iowa Public Employees' Retirement System
Last Ten Fiscal Years
(In Thousands)

		2015	2014	2013	2012
Statutorily required contribution	$	566	556	533	487
Contributions in relation to the statutorily required contribution		(566)	(556)	(533)	(487)
Contribution deficiency (excess)	$	-	-	-	-
Office's covered-employee payroll	$	6,340	6,229	6,151	6,038
Contributions as a percentage of covered-employee payroll		8.93%	8.93%	8.67%	8.07%

See Accompanying Independent Auditor's Report.

2011	2010	2009	2008	2007	2006
404	409	398	359	327	330
(404)	(409)	(398)	(359)	(327)	(330)
-	-	-	-	-	-
5,809	6,143	6,276	5,938	5,686	5,745
6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

Note to Required Supplementary Information – Pension Liability

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and the employer instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

Note to Required Supplementary Information – Pension Liability

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs, deputies and protection occupation members.