



# Iowa Association of School Business Officials

## Implementing GASB 68

Andrew E. Nielsen, CPA  
Deputy Auditor of State

July 2015

## GASB 68 Financial Numbers

### Key definitions:

Total pension liability (TPL): *actuarial present value of projected benefit payments allocated during past periods of employee service. Similar to unfunded actuarial accrued liability.*

Net pension liability (NPL): *TPL minus market value of assets.*

Pension expense (PE): *the difference between the NPL from the prior fiscal year to the current fiscal year, with some adjustments.*

## Here is a Recap – Total Pension Liability

1. Project future benefits
2. Discount to present value
3. Attribute present value to past and future periods
4. TPL = liability for benefits earned in past periods

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## Pension Expense

- Changes in Net Pension Liability
- Amortized over closed periods:
  - Differences between expected and actual
    - Economic or demographic factors
    - Investment earnings
  - Changes in assumptions

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## Deferred Outflows & Inflows

Pension-related *deferred outflows* of resources and *deferred inflows* of resources

- Unrecognized items not yet charged to pension expense
- Contributions from the employer after measurement date but before reporting period

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## Proportionate Shares

Collective NPL = \$1,000



This example shows how the collective NPL and PE are apportioned among the employers based on the percentage of contributions made by each employer compared to total contributions.

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## Employers' Responsibilities

Additional notes and disclosures will be required.

Some of the new Notes include:

- Expanded pension plan description
- Information about employer's proportionate share of NPL

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## Employers' Responsibilities

### RSI and Notes to RSI

- 10-year schedules
  - Employer's proportionate share of NPL
  - Contributions paid compared to contributions required
  - Information about significant changes/trends
  - Build schedules prospectively

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## Office of Auditor of State Contact Information

Andrew E. Nielsen, CPA  
Deputy Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0001

Website – <http://auditor.iowa.gov/index.html>

Phone – 515-281-5834

Email – [andy.nielsen@auditor.state.ia.us](mailto:andy.nielsen@auditor.state.ia.us)

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## GASB Statement No. 68, Financial Accounting and Reporting for Pensions

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GASB STATEMENT NO. 68  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

PREPARED AS OF JUNE 30, 2014

SECTION I - SUMMARY OF PRINCIPAL RESULTS

ALL MEMBERSHIP GROUPS

|   |                       |
|---|-----------------------|
| <b>Valuation Date (VD):</b>   | June 30, 2014         |
| <b>Prior Measurement Date:</b>  | June 30, 2013         |
| <b>Measurement Date (MD):</b>   | June 30, 2014         |
| <b>Membership Data:</b>   |                       |
| Retirees and Beneficiaries  | 107,934               |
| Inactive Vested Members   | 28,713                |
| Inactive Nonvested Members  | 43,501                |
| Active Employees  | <u>165,911</u>        |
| Total   | 346,059               |
| <b>Single Equivalent Interest Rate (SEIR):</b>  |                       |
| Long-Term Expected Rate of Return   | 7.50%                 |
| Municipal Bond Index Rate   | N/A                   |
| Fiscal Year in which Plan's Fiduciary Net Position is projected to be depleted from future benefit payments for current members | N/A                   |
| Single Equivalent Interest Rate   | 7.50%                 |
| <b>Collective Net Pension Liability:</b>  |                       |
| Total Pension Liability (TPL)   | \$32,004,456,088      |
| Fiduciary Net Position (FNP)  | <u>28,038,549,893</u> |
| Net Pension Liability (NPL = TPL - FNP)   | \$3,965,906,195       |
| FNP as a percentage of TPL  | 87.61%                |
| <b>Collective Pension Expense:</b>  | \$308,768,810         |
| <b>Collective Deferred Outflows of Resources:</b>   | \$222,590,981         |
| <b>Collective Deferred Inflows of Resources:</b>  | (\$1,668,130,653)     |



**Pension Expense**  
**For the Year Ended June 30, 2014**

**REGULAR MEMBERS**

|   | 2014                 |
|---|----------------------|
| Service Cost at end of year   | \$645,907,185        |
| Interest on the Total Pension Liability   | 2,105,066,613        |
| Current-period benefit term changes   | 0                    |
| Expensed portion of current-period difference between expected and actual experience in the Total Pension Liability | 10,276,629           |
| Expensed portion of current-period assumption changes   | 41,730,611           |
| Employee contributions including service purchases  | (411,741,176)        |
| Projected earnings on plan investments  | (1,716,764,566)      |
| Expensed portion of current-period difference between projected and actual earnings on plan investments             | (385,860,452)        |
| Administrative expenses   | 14,299,271           |
| Recognition of beginning Deferred Outflows of Resources   | 0                    |
| Recognition of beginning Deferred Inflows of Resources  | 0                    |
| <b>Total Pension Expense</b>  | <b>\$302,914,115</b> |

Note: System experience and assumption changes are recognized over the average expected remaining service life for all System members, which is 5.28.



APPENDIX A

SCHEDULE OF CHANGES IN THE EMPLOYERS' NET PENSION LIABILITY

REGULAR MEMBERS

Fiscal Year Ended June 30

|  | Total Pension Liability<br>(a) | Plan Fiduciary Net Position<br>(b) | Net Pension Liability<br>(a) - (b) |
|--|--------------------------------|------------------------------------|------------------------------------|
| Balances at June 30, 2013                                      | \$28,917,257,303               | \$23,255,252,018                   | \$5,662,005,285                    |
| Changes for the year:  |                                |                                    |                                    |
| Service cost   | 645,907,185                    |                                    | 645,907,185                        |
| Interest   | 2,105,066,613                  |                                    | 2,105,066,613                      |
| Benefit term changes   | 0                              |                                    | 0                                  |
| Differences between expected and actual experience             | 54,260,597                     |                                    | 54,260,597                         |
| Assumption changes   | 220,337,624                    |                                    | 220,337,624                        |
| Employer contributions   |                                | 596,983,323                        | (596,983,323)                      |
| Employee contributions including service purchases             |                                | 411,741,176                        | (411,741,176)                      |
| Net investment income, including net securities lending income |                                | 3,646,066,825                      | (3,646,066,825)                    |
| Benefit payments, including member refunds                     | (1,730,692,751)                | (1,730,692,751)                    | 0                                  |
| Administrative expenses  |                                | (14,299,271)                       | 14,299,271                         |
| Other changes  | (7,290,284)                    | (7,290,284)                        | 0                                  |
| Net changes  | <u>1,287,588,984</u>           | <u>2,902,509,018</u>               | <u>(1,614,920,034)</u>             |
| Balances at June 30, 2014                                      | \$30,204,846,287               | \$26,157,761,036                   | \$4,047,085,251                    |



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Schedule 1

Iowa Public Employees' Retirement System  
 Schedule of Employer Allocations and Net Pension Liability by Employer -  
**Regular Membership Group**  
 As of and for the year ended June 30, 2013

| Employer ID # | Employer Name                            | 2013 Employer Contributions | Employer Proportionate Share | Net Pension Liability |
|---------------|--|-----------------------------|------------------------------|-----------------------|
| 99308         | BELMOND PUBLIC LIBRARY                   | 5,834                       | 0.001040%                    | 58,910                |
| 99309         | CITY OF ROWAN                            | 929                         | 0.000166%                    | 9,376                 |
| 99311         | IOWA SPECIALTY HOSPITAL-CLARION          | 1,669,305                   | 0.297694%                    | 16,855,431            |
| 99312         | IOWA SPECIALTY HOSPITAL-BELMOND          | 344,572                     | 0.061449%                    | 3,479,234             |
| 99314         | TOWN OF GALT                             | 484                         | 0.000086%                    | 4,886                 |
| 99315         | CITY OF WOOLSTOCK                        | 1,474                       | 0.000263%                    | 14,880                |
| 99317         | ROWAN PUBLIC LIBRARY                     | 1,661                       | 0.000296%                    | 16,776                |
| 99501         | CLARION-GOLDFIELD COMMUNITY SCHOOL DIST  | 454,916                     | 0.081127%                    | 4,593,414             |
| 99537         | BELMOND-KLEMME COMMUNITY SCHOOL DISTRICT | 361,254                     | 0.064424%                    | 3,647,686             |
| 99539         | <i>SAMPLE</i> COMMUNITY SCHOOL DISTRICT  | 56,929                      | (L) 0.010152%                | (M) 574,825           |
| 99540         | EAGLE GROVE COMMUNITY SCHOOL DISTRICT    | 469,300                     | 0.083692%                    | 4,738,649             |
| 99601         | WRIGHT COUNTY AREA LANDFILL AUTHORITY    | 10,515                      | 0.001875%                    | 106,177               |
| Total         |  | \$ 560,745,771              | 100.000000%                  | \$ 5,662,005,285      |

(M1)

Iowa Public Employees' Retirement System  
 Schedule of Employer Allocations and Collective Pension Amounts Allocated by Employer -  
**Regular Membership Group**  
 As of and for the year ended June 30, 2014

| Employer ID #          | Employer Name                            | 2014 Employer Contributions | Employer Proportionate Share | Net Pension Liability (NPL) |
|------------------------|--|-----------------------------|------------------------------|-----------------------------|
| 99203                  | WRIGHT COUNTY AGRI EXTENSION DIST        | 12,188                      | 0.002044%                    | 82,718                      |
| 99206                  | WRIGHT CO SOIL & WATER CONSERVATION      | 5,091                       | 0.000854%                    | 34,551                      |
| 99301                  | CITY OF CLARION                          | 47,936                      | 0.008039%                    | 325,341                     |
| 99302                  | CITY OF EAGLE GROVE                      | 64,179                      | 0.010763%                    | 435,580                     |
| 99304                  | CITY OF BELMOND                          | 32,088                      | 0.005381%                    | 217,782                     |
| 99305                  | CITY OF GOLDFIELD                        | 11,182                      | 0.001875%                    | 75,895                      |
| 99307                  | CITY OF DOWS                             | 8,570                       | 0.001437%                    | 58,161                      |
| 99308                  | BELMOND PUBLIC LIBRARY                   | 6,299                       | 0.001056%                    | 42,753                      |
| 99309                  | CITY OF ROWAN                            | 994                         | 0.000167%                    | 6,744                       |
| 99311                  | IOWA SPECIALTY HOSPITAL-CLARION          | 1,722,889                   | 0.288929%                    | 11,693,200                  |
| 99312                  | IOWA SPECIALTY HOSPITAL-BELMOND          | 367,107                     | 0.061564%                    | 2,491,545                   |
| 99314                  | TOWN OF GALT                             | 488                         | 0.000082%                    | 3,309                       |
| 99315                  | CITY OF WOOLSTOCK                        | 1,424                       | 0.000239%                    | 9,664                       |
| 99317                  | ROWAN PUBLIC LIBRARY                     | 1,654                       | 0.000277%                    | 11,226                      |
| 99501                  | CLARION-GOLDFIELD COMMUNITY SCHOOL DIST  | 480,213                     | 0.080532%                    | 3,259,191                   |
| 99537                  | BELMOND-KLEMME COMMUNITY SCHOOL DISTRICT | 395,239                     | 0.066282%                    | 2,682,475                   |
| 99539                  | <i>SAMPLE</i> COMMUNITY SCHOOL DISTRICT  | (A) 64,028                  | (B) 0.010738%                | (C) 434,556                 |
| 99540                  | EAGLE GROVE COMMUNITY SCHOOL DISTRICT    | 492,434                     | 0.082581%                    | 3,342,138                   |
| 99601                  | WRIGHT COUNTY AREA LANDFILL AUTHORITY    | 11,881                      | 0.001992%                    | 80,635                      |
| Total for all entities |  | \$ 596,301,902              | 100.000000%                  | \$ 4,047,085,251            |

\* - Employer specific amounts excluded from this Schedule are the changes in proportion and differences between employer contributions and the proportionate share of contributions, as well as the related amortization as defined in paragraphs 54-55 of GASB Statement No. 68, Accounting and Financial Reporting for Pensions.

| DEFERRED OUTFLOWS OF RESOURCES   |   |  |                        |                                      | TOTAL DEFERRED INFLOWS OF RESOURCES   |   |      |
|--|---|--|------------------------|--------------------------------------|---|---|------|
| (Excluding Employer Specific Amounts) *  |   |  |                        |                                      | (Excluding Employer Specific Amounts) *   |   |      |
| Change in NPL due to 1% Decrease in the Actuarial Assumed Investment Return (6.50 %) | Change in NPL due to 1% Increase in the Actuarial Assumed Investment Return (8.50%) | Differences Between Expected and Actual Experience | Changes of Assumptions | Total Deferred Outflows of Resources | Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments | Total Proportionate Share of Plan Pension Expense |      |
| 156,293  | 20,613  | 899  | 3,651                  | 4,550                                | (31,546)  | 6,191   |      |
| 65,284   | 8,610   | 376  | 1,525                  | 1,901                                | (13,177)  | 2,586   |      |
| 614,723  | 81,073  | 3,536  | 14,358                 | 17,894                               | (124,076)   | 24,351  |      |
| 823,017  | 108,544   | 4,734  | 19,223                 | 23,957                               | (166,118)   | 32,602  |      |
| 411,493  | 54,270  | 2,367  | 9,611                  | 11,978                               | (83,056)  | 16,300  |      |
| 143,402  | 18,913  | 825  | 3,349                  | 4,174                                | (28,944)  | 5,681   |      |
| 109,894  | 14,493  | 632  | 2,567                  | 3,199                                | (22,181)  | 4,353   |      |
| 80,781   | 10,654  | 465  | 1,887                  | 2,352                                | (16,305)  | 3,200   |      |
| 12,743   | 1,681   | 73   | 298                    | 371                                  | (2,572)   | 505   |      |
| 22,093,974   | 2,913,870   | 127,082  | 516,047                | 643,129                              | (4,459,450)   | 875,207   |      |
| 4,707,704  | 620,877   | 27,078   | 109,958                | 137,036                              | (950,203)   | 186,486   |      |
| 6,253  | 825   | 36   | 146                    | 182                                  | (1,262)   | 248   |      |
| 18,260   | 2,408   | 105  | 426                    | 531                                  | (3,686)   | 723   |      |
| 21,211   | 2,797   | 122  | 495                    | 617                                  | (4,281)   | 840   |      |
| 6,158,150  | 812,169   | 35,421   | 143,835                | 179,256                              | (1,242,962)   | 243,942   |      |
| 5,068,461  | 668,455   | 29,153   | 118,384                | 147,537                              | (1,023,019)   | 200,776   |      |
| (Y) 821,081  | (Z) 108,289   | (F) 4,723  | (G) 19,178             | 23,901                               | (I) (165,727)   | (K) 32,525  |      |
| 6,314,875  | 832,839   | 36,323   | 147,496                | 183,819                              | (1,274,595)   | 250,151   |      |
| 152,358  | 20,094  | 876  | 3,559                  | 4,435                                | (30,752)  | 6,035   |      |
| 7,646,853,934  | 1,008,507,575   | 43,983,968   | 178,607,013            | 222,590,981                          | (1,543,441,807)   | 302,914,115                                       | (K1) |



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**SCHOOL GASB 68 Calculator Workbook** (With Regular Membership Group Only)

Shaded boxes require manual input - everything else is intended to be formula driven.

**Calculation of the Change in Proportion:**

|   |           |     | NPL              | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------|-----|------------------|--------------------------------|-------------------------------|
| Beginning balance collective measure (as of June 30, 2013 measurement date)<br>(From 2013 IPERS AOS GASB 68 Report) | (%)       |     | \$ 5,662,005,285 | \$ -                           | \$ -                          |
| Employer's prior year proportionate share<br>(From 2013 IPERS AOS GASB 68 Report)                                   | 0.010152% | (L) | \$ 574,825       | \$ -                           | \$ -                          |
| Employer's current year proportionate share<br>(From 2014 IPERS AOS GASB 68 Report)                                 | 0.010738% | (B) |                  | \$ -                           | \$ -                          |
| Increase (decrease) in beginning balance  |           |     | \$ 574,825       | j                              | \$ -                          |
| <b>Net effect (increase in deferred outflows of resources)</b>  |           |     |                  |                                |                               |

**Difference between Proportionate Share of Collective contributions and employer's actual contributions:**

|  |                |      |
|--|----------------|------|
| Total employer contributions for all entities<br>(From 2014 IPERS AOS GASB 68 Report)              | \$ 596,301,902 | (A1) |
| Employer's proportionate share of total employer contributions<br>(Computed using current year %.) | 64,028         | i    |
| Employer's actual contributions for this entity<br>(From 2014 IPERS AOS GASB 68 Report)            | \$ 64,028      | (A)  |
| Difference (increase in deferred inflows of resources (should be minimal))                         | \$ 0           |      |

**Proportionate Shares of Collective Balances**

|   | Proportionate Share @             |                                   | Change in Proportionate Share of |                              |
|---|-----------------------------------|-----------------------------------|----------------------------------|------------------------------|
|   | June 30, 2013<br>0.010152%<br>(a) | June 30, 2014<br>0.010738%<br>(b) | Debit Balances<br>(b) - (a)      | Credit Balances<br>(b) - (a) |
| <b>Deferred Outflows</b> (From 2014 IPERS AOS GASB 68 Report)   |                                   |                                   |                                  |                              |
| Difference Between Expected and Actual Experience               | 0                                 | \$ 4,723                          | \$ 4,723                         | a                            |
| Change in Assumptions   |                                   | \$ 19,178                         | \$ 19,178                        | b                            |
| <b>Deferred Inflows</b> (From 2014 IPERS AOS GASB 68 Report)    |                                   |                                   |                                  |                              |
| Difference Between Expected and Actual Experience               | 0                                 | \$ -                              | \$ -                             | c                            |
| Difference between Projected and Actual Investment              |                                   | \$ 165,728                        | \$ 165,728                       | d                            |
| Net Pension Liability (From 2014 IPERS AOS GASB 68 Report)      | \$ 574,825                        | \$ 434,556                        | \$ (140,269)                     | e                            |
| Collective Pension Expense (From 2014 IPERS AOS GASB 68 Report) | \$ 302,914,115                    | \$ 32,525                         |                                  |                              |
|   | (Proportionate %)                 | (Computed)                        |                                  |                              |
| (Per IPERS Spreadsheet)   |                                   | \$ 32,525                         |                                  |                              |

**Change in Entity's Proportion (2a)**

(GASB 68 Paragraph 54)

|   | Collective amounts<br>at June 30, 2013 | Proportionate Share @             |                                   | Change in Proportionate Share of |                              |
|---|--|-----------------------------------|-----------------------------------|----------------------------------|------------------------------|
|   |  | June 30, 2013<br>0.010152%<br>(a) | June 30, 2014<br>0.010738%<br>(b) | Debit Balances<br>(b) - (a)      | Credit Balances<br>(b) - (a) |
| Deferred Outflows of Resources  | \$ -                                   | \$ -                              | \$ -                              | 0                                |                              |
| Deferred inflows of Resources   | \$ -                                   | \$ -                              | \$ -                              | 0                                |                              |
| Net Pension Liability   | \$ 5,662,005,285                       | \$ 574,825                        | \$ 607,959                        |                                  | 33,134                       |
| Total of changes in the Entity's beginning reported balances  |  |                                   |                                   | \$ -                             | \$ 33,134                    |
| Amount to be recognized for the net effect of the change<br>in the Entity's proportion on beginning reported balances |  |                                   |                                   | \$ 33,134                        |                              |
| Total of amounts recognized for the change in Entity's proportion   |  |                                   |                                   | \$ 33,134                        | \$ 33,134                    |

**Entity's contributions during the measurement period (2b)**

(GASB 68 Paragraph 55)

|   | Collective Amount | Proportionate<br>Share at 6/30/2014<br>0.010738%<br>(a) | Entity<br>Contributions<br>(b) | Difference<br>(b) - (a) |
|---|-------------------|---|--------------------------------|-------------------------|
| Employer contributions - (Per IPERS GASB 68 Actuary Report Page 18) | \$ 596,983,323    | \$ 64,101   | \$ 64,028                      | \$ (73)                 |

Pg 10

**Net effect of change in proportion and differences between  
Entity contributions and proportionate share of contributions (2c)**

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources | Pension<br>Expense | Total  |
|--|-----------------------------------|----------------------------------|--------------------|--------|
| Change in proportion (from 2a) above                                 | 26,859                            | -                                | 6,275              | 33,134 |
| Contributions during measurement period (from 2b) above              | (59)                              | -                                | (14)               | (73)   |
| Net amount recognized  | 26,800                            | -                                | 6,261              | 33,061 |
| (GASB 68, Paragraph 52 allows this to be recognized on a net basis.) | (33,061-6,261)                    |                                  | (33,061/5.28)      |        |

Average expected remaining service life for all System members:

5.28 years  
(Per IPERS GASB 68 Actuary Report Page 6)

Pg 9

Journal Entries for Entity's Year Ended June 30, 2015 (June 30, 2014 measurement date)

|  | DR         |    | CR         |    | Government Wide |            | Proprietary - Nutrition |          |
|--|------------|----|------------|----|-----------------|------------|-------------------------|----------|
|  | DR         | CR | DR         | CR | DR              | CR         | DR                      | CR       |
| Deferred Outflows  |            |    |            |    |                 |            |                         |          |
| Difference Between Expected and Actual Experience          | \$ 4,723   | a  | \$ -       |    | 4,652           |            | 71                      | -        |
| Change in Assumptions                                      | 19,178     | b  |            |    | 18,890          |            | 288                     | -        |
| Deferred Outflows of Resources from proportion change      | 26,800     | g  |            |    | 26,398          |            | 402                     | -        |
| Pension Expense  |            |    |            |    |                 |            |                         |          |
| Pension Expense - proportion of collective pension expense | 32,525     | f  |            |    | 32,038          |            | 487                     | -        |
| Pension Expense - amortization of proportion changes       | 6,261      | h  |            |    | 6,167           |            | 94                      | -        |
| Pension Expense - Rounding                                 |            |    |            |    |                 |            |                         |          |
| Deferred Inflows   |            |    |            |    |                 |            |                         |          |
| Difference Between Expected and Actual Experience          |            |    |            | -  |                 |            |                         |          |
| Difference Between Projected and Actual Investment         |            |    | 165,728    | d  |                 | 163,242    |                         | 2,486    |
| Deferred Outflows of Resources                             |            |    |            |    |                 |            |                         |          |
| - Entity contributions from 7/01/2013 through 6/30/2014    |            |    | 64,028     | i  |                 | 63,068     |                         | 960      |
| Net Pension Liability                                      | 140,269    | e  |            |    | 138,165         |            | 2,104                   | -        |
| Totals   | \$ 229,756 |    | \$ 229,756 |    | \$ 226,310      | \$ 226,310 | \$ 3,446                | \$ 3,446 |
| Check figure   |            |    | \$ 0       |    |                 |            |                         |          |

*There will likely be smd rounding.* 38,786

To record pension accrual amounts for the year ended June 30, 2015 based on the June 30, 2014 measurement date.

Journal Entry to record deferred outflow at June 30, 2015:

|                                  |           |   |           |        |        |       |       |
|----------------------------------|-----------|---|-----------|--------|--------|-------|-------|
| Deferred Outflows of Resources - | \$ 67,052 | x |           | 66,046 |        | 1,006 |       |
| Expense                          |           |   | \$ 67,052 |        | 66,046 |       | 1,006 |

To record employer contributions from July 1, 2014 through June 30, 2015 as deferred outflows at June 30, 2015.

*From District records or IPERS I-QUE (After Aug 2015)*

Restatement Journal Entry (as of July 1, 2014):

|  |            |   |            |        |         |       |       |
|--|------------|---|------------|--------|---------|-------|-------|
| Deferred Outflows - prior year contributions | \$ 64,028  | i |            | (960)  |         | 960   |       |
| Net Position                                 | \$ 510,797 |   |            | 64,028 |         | 7,662 |       |
| Net Pension Liability                        |            |   | \$ 574,825 |        | (8,622) |       | 8,622 |
| Totals                                       | \$ 574,825 |   | \$ 574,825 |        |         |       |       |

Allocation of Beginning of Year NPL

|         |       |
|---------|-------|
| 566,203 | 8,622 |
|---------|-------|

To restate net position at July 1, 2014 to record deferred outflow of resources and net pension liability at June 30, 2014.

*Each District will base the allocation % on the % of Enterprise Fund District Employer share to total Employer share of IPERS.*

|                                 | <u>Debit</u>    | <u>Credit</u>      |
|---------------------------------|-----------------|--------------------|
| <b><u>Deferred Outflows</u></b> |                 |                    |
| Exp/Act Experience Diff         | 4,723 <i>a</i>  |                    |
| Change in assumptions           | 19,178 <i>b</i> |                    |
| Proportionate change            | 26,800 <i>g</i> |                    |
| <b><u>Deferred Inflows</u></b>  |                 |                    |
| Investment experience           |                 | (165,728) <i>d</i> |
| Totals                          | <u>50,701</u>   | <u>(165,728)</u>   |
| Number of years to amortize :   | <u>4.28</u>     | <u>4</u>           |

| <b><u>Amortization for Page 49</u></b> | <u>Debit</u>  | <u>Credit</u>    | <u>Net</u>       |
|--|---------------|------------------|------------------|
| 2016                                   | 11,846        | (41,432)         | (29,586)         |
| 2017                                   | 11,846        | (41,432)         | (29,586)         |
| 2018                                   | 11,846        | (41,432)         | (29,586)         |
| 2019                                   | 11,846        | (41,432)         | (29,586)         |
| 2020                                   | 3,317         |                  | 3,317            |
|  | <u>50,701</u> | <u>(165,728)</u> | <u>(115,027)</u> |

L → TO Pg 28

This is now Tab 3 on the CSD spreadsheet.

**EMPLOYER CALCULATION OF TOTAL NET PENSION LIABILITY/(ASSET) AND PROPORTION**

PLEASE NOTE: The proportions listed on the six individual spreadsheets are the proportions of employers' contributions to total employer contributions for that group. Since there are three groups (Regular, Sheriffs and Deputies, and Protection Occupations), the total equates to 300%. However, since IPERS is one Trust Fund, and, therefore, the proportions need to total 100%, rather than 300%, you must calculate your proportion of the Trust Fund In total, using the methodology detailed in this worksheet.

We posted 6 schedules, 3 for the 6/30/13 Measurement Date (one for each group of employees: Regular, Sheriffs and Deputies, and Protection Occupations) and 3 for the 6/30/14 Measurement Date (one for each group of employees).  
 Methodology: Our actuaries calculated a Net Pension Liability/(Asset) for each employee group, as detailed in the GASB 68 Report posted on www.ipers.org. Using each employer's proportion of employer contributions paid to IPERS (i.e. your employer contributions divided by all employer contributions paid to IPERS), IPERS has apportioned the Net Pension Liability/(Asset) to each employer by employee group.  
 Using the steps detailed below, you will find the Net Pension Liability/(Asset) that has been apportioned to you. You will then calculate your total Net Pension Liability/(Asset) and your proportion (percentage) of the Net Pension Liability/(Asset) to report in your CAFR by dividing your total Net Pension Liability/(Asset) by IPERS' collective Net Pension Liability, as shown in the examples below.

- Step 1: Find all Employer ID Numbers for which you report.
- Step 2: If you have more than one type of employee (Regular, Sheriffs and Deputies, and Protection Occupations), find the Net Pension Liability/(Asset) for each group.
- Step 3: Total the Net Pension Liability/(Asset) column for all Employer ID rows and groups you have selected, as shown in the examples.
- Step 4: Take your total Net Pension Liability/(Asset) calculated in Step 3 and divide it by IPERS' collective Net Pension Liability to calculate your proportion to report in your CAFR.

NOTE: You will need to do this for the 6/30/2013 and the 6/30/2014 Measurement Dates

| Measurement Date | IPERS Collective NPL |     |
|------------------|----------------------|-----|
| 6/30/2013        | \$5,741,678,605      | I-5 |
| 6/30/2014        | \$3,965,906,195      | I-6 |

**EXAMPLES**

Measurement Date: 6/30/2014

| EMPLOYER ID NUMBER | EMPLOYER_NAME | GROUP   |
|--------------------|---------------|---------|
|                    |               | Regular |

IPERS Collective Net Pension Liability/(Asset):  
 District's calculated proportion:

Pg 13

| Net Pension Liability/(Asset) |
|-------------------------------|
| 434,556                       |
| 434,556                       |

\$ 3,965,906,195  
 0.010957%

To Pg 32

Measurement Date: 6/30/2013

| EMPLOYER ID NUMBER | EMPLOYER_NAME | GROUP   |
|--------------------|---------------|---------|
|                    |               | Regular |

IPERS Collective Net Pension Liability:  
 District's calculated proportion:

Pg 12

| Net Pension Liability/(Asset) |
|-------------------------------|
| 574,825                       |
| 574,825                       |

\$5,741,678,605  
 0.010011%

To Pg 27A

Change in District's collective pr: 0.000946%

7/29/15  
 Revision

19A

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Mary Mosiman, CPA

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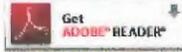
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**Audit Practice Aids**

The Auditor of State provides guidelines setting forth accounting and auditing standards to be applied in audits of governmental subdivisions. These guidelines include audit programs and sample reports. These are public documents, although the primary users are CPA firms and government officials and staff.

To download the PDF (Portable Document Format) or DOCX (Microsoft Word), right-click on the appropriate hyperlink below and click Save Link/Target As... on the context-sensitive menu.

(PDF format allows you to view the document electronically on most computers. The freely available Adobe Reader is required to view and print PDF files.)



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# Excerpts from Sample CSD Report

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sample Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Emphasis of Matter

As discussed in Note 14 to the financial statements, Sample Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 11 through 20 and 58 through 66 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 U.S. generally accepted auditing standards, 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.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sample Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

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 beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$503,135 and \$7,662, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

| <b>Figure A-4</b>                                       |                            |               |                             |            |                     |               |                 |
|---|----------------------------|---------------|-----------------------------|------------|---------------------|---------------|-----------------|
| <b>Changes in Net Position</b>                          |                            |               |                             |            |                     |               |                 |
| <b>(Expressed in Thousands)</b>                         |                            |               |                             |            |                     |               |                 |
|   | Governmental<br>Activities |               | Business Type<br>Activities |            | Total<br>District   |               | Total<br>Change |
|   | 2014                       |               | 2014                        |            | 2014                |               |                 |
|   | 2015 (Not restated)        |               | 2015 (Not restated)         |            | 2015 (Not restated) |               | 2014-2015       |
| <b>Revenues:</b>  |                            |               |                             |            |                     |               |                 |
| <b>Program revenues:</b>                                |                            |               |                             |            |                     |               |                 |
| Charges for service                                     | \$ 1,188                   | 1,049         | 459                         | 406        | 1,647               | 1,455         | 13.2%           |
| Operating grants, contributions and restricted interest | 1,432                      | 1,340         | 229                         | 215        | 1,661               | 1,555         | 6.8%            |
| Capital grants, contributions and restricted interest   | 42                         | -             | -                           | -          | 42                  | -             | 100.0%          |
| <b>General revenues:</b>                                |                            |               |                             |            |                     |               |                 |
| Property tax  | 4,084                      | 3,725         | -                           | -          | 4,084               | 3,725         | 9.6%            |
| Statewide sales, services and use tax                   | 101                        | -             | -                           | -          | 101                 | -             | 100.0%          |
| Unrestricted state grants                               | 7,767                      | 7,589         | -                           | -          | 7,767               | 7,589         | 2.3%            |
| Unrestricted investment earnings                        | 262                        | 270           | 2                           | 2          | 264                 | 272           | -2.9%           |
| Other   | 46                         | 39            | -                           | -          | 46                  | 39            | 17.9%           |
| <b>Total revenues</b>                                   | <b>14,922</b>              | <b>14,012</b> | <b>690</b>                  | <b>623</b> | <b>15,612</b>       | <b>14,635</b> | <b>6.7%</b>     |
| <b>Program expenses:</b>                                |                            |               |                             |            |                     |               |                 |
| Instruction   | 9,247                      | 8,344         | -                           | -          | 9,247               | 8,344         | 10.8%           |
| Support services  | 4,528                      | 4,207         | -                           | -          | 4,528               | 4,207         | 7.6%            |
| Non-instructional programs                              | 53                         | 51            | 699                         | 629        | 752                 | 680           | 10.6%           |
| Other expenses  | 1,092                      | 1,003         | -                           | -          | 1,092               | 1,003         | 8.9%            |
| <b>Total expenses</b>                                   | <b>14,920</b>              | <b>13,605</b> | <b>699</b>                  | <b>629</b> | <b>15,619</b>       | <b>14,234</b> | <b>9.7%</b>     |
| <b>Change in net position</b>                           | <b>2</b>                   | <b>407</b>    | <b>(9)</b>                  | <b>(6)</b> | <b>(7)</b>          | <b>401</b>    | <b>-101.7%</b>  |
| <b>Net position beginning of year, as restated</b>      | <b>2,922</b>               | <b>3,018</b>  | <b>63</b>                   | <b>77</b>  | <b>2,985</b>        | <b>3,095</b>  | <b>-3.6%</b>    |
| <b>Net position end of year</b>                         | <b>\$ 2,924</b>            | <b>3,425</b>  | <b>54</b>                   | <b>71</b>  | <b>2,978</b>        | <b>3,496</b>  | <b>-14.8%</b>   |

In fiscal year 2015, property tax and unrestricted state grants accounted for 79.4% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 99.7% of business type activities revenue. The District's total revenues were approximately \$15.6 million, of which approximately \$14.9 million was for governmental activities and less than \$1 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 6.7% increase in revenues and a 9.7% increase in expenses. Property tax increased approximately \$359,000 to fund the increase in expenses. The increase in expenses is related to increases in negotiated salaries and benefits.

**Exhibit A**

Sample Community School District

Statement of Net Position

Year ended June 30, 2015

|  | Governmental<br>Activities | Business Type<br>Activities | Total                |
|--|----------------------------|-----------------------------|----------------------|
| <b>Assets</b>  |                            |                             |                      |
| Cash, cash equivalents and pooled investments                | \$ 2,983,717               | 31,798                      | 3,015,515            |
| Receivables:   |                            |                             |                      |
| Property tax:  |                            |                             |                      |
| Delinquent   | 73,556                     | -                           | 73,556               |
| Succeeding year  | 4,850,000                  | -                           | 4,850,000            |
| Accounts   | 13,949                     | 184                         | 14,133               |
| Accrued interest   | 56,057                     | -                           | 56,057               |
| Due from other governments                                   | 396,007                    | -                           | 396,007              |
| Inventories  | -                          | 10,951                      | 10,951               |
| Capital assets, net of accumulated depreciation/amortization | 12,576,443                 | 69,673                      | 12,646,116           |
| <b>Total assets</b>  | <b>20,949,729</b>          | <b>112,606</b>              | <b>21,062,335</b>    |
| <b>Deferred Outflows of Resources</b>                        |                            |                             |                      |
| Pension related deferred outflows                            | 115,986                    | 1,767                       | 117,753 <i>Pg 28</i> |
| <b>Liabilities</b>   |                            |                             |                      |
| Accounts payable   | 421,899                    | 10,245                      | 432,144              |
| Salaries and benefits payable                                | 1,435,373                  | 3,144                       | 1,438,517            |
| Due to other governments                                     | 51,043                     | -                           | 51,043               |
| Advances from grantors                                       | 12,977                     | -                           | 12,977               |
| Accrued interest payable                                     | 76,920                     | -                           | 76,920               |
| Long-term liabilities:                                       |                            |                             |                      |
| Portion due within one year:                                 |                            |                             |                      |
| General obligation bonds                                     | 305,000                    | -                           | 305,000              |
| Revenue bonds  | 110,000                    | -                           | 110,000              |
| Notes  | 155,000                    | -                           | 155,000              |
| Compensated absences   | 8,148                      | -                           | 8,148                |
| Portion due after one year:                                  |                            |                             |                      |
| General obligation bonds                                     | 8,255,000                  | -                           | 8,255,000            |
| Revenue bonds  | 890,000                    | -                           | 890,000              |
| Notes  | 225,000                    | -                           | 225,000              |
| Net pension liability  | 428,038                    | 6,518                       | 434,556 <i>Pg 13</i> |
| Net OPEB liability   | 754,079                    | 38,021                      | 792,100              |
| <b>Total liabilities</b>                                     | <b>13,128,477</b>          | <b>57,928</b>               | <b>13,186,405</b>    |
| <b>Deferred Inflows of Resources</b>                         |                            |                             |                      |
| Unavailable property tax revenue                             | 4,850,000                  | -                           | 4,850,000            |
| Pension related deferred inflows                             | 163,242                    | 2,486                       | 165,728 <i>Pg 28</i> |
| <b>Total deferred inflows of resources</b>                   | <b>5,013,242</b>           | <b>2,486</b>                | <b>5,015,728</b>     |

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Advances from Grantors – Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Part of  
Note 1.

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.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means 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 in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are 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 consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts 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 are imposed by law through constitutional provisions or enabling legislation.

Notes

During the year ended June 30, 2013, the District issued School Equipment Notes to provide funds for the purchase of equipment. The notes bear interest at 5% to 5.75% per annum and are payable from the General Fund or the Capital Projects, Physical Plant and Equipment Levy Fund. Details of the District's indebtedness under the agreements in effect at June 30, 2015 are as follows:

| Year Ending June 30, | Issued January 11, 2012 |       |              |     | Issued June 30, 2012 |          | Total     |          |         |
|----------------------|-------------------------|-------|--------------|-----|----------------------|----------|-----------|----------|---------|
|                      | Series 2012A            |       | Series 2012B |     | Principal            | Interest | Principal | Interest | Total   |
| 2016                 | \$ 55,000               | 3,875 | 15,000       | 375 | 85,000               | 14,950   | 155,000   | 19,200   | 174,200 |
| 2017                 | 50,000                  | 1,250 | -            | -   | 85,000               | 10,063   | 135,000   | 11,313   | 146,313 |
| 2018                 | -                       | -     | -            | -   | 90,000               | 5,175    | 90,000    | 5,175    | 95,175  |
| Total                | \$ 105,000              | 5,125 | 15,000       | 375 | 260,000              | 30,188   | 380,000   | 35,688   | 415,688 |

During the year ended June 30, 2015, the District made principal and interest payments totaling \$226,469 under the agreements.

(8) **Pension Plan** *GASB 68 Disclosures 974 to 980*

**Plan Description** - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). 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](http://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. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

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 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that 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. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that 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 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$67,052.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$434,556 for its proportionate share of the net pension liability. 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 District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.010957 percent, which was an increase of 0.000946 from its proportion measured as of June 30, 2013.

*7/29/15 Revision*  
*See Pg 19 A*  
*for source of data.*

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. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that 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 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$67,052. (X) Pg 18

**Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - At June 30, 2015, the District reported a liability of \$434,556 for its proportionate share of the net pension liability. 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 District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.010738 percent, which was an increase of 0.000586 from its proportion measured as of June 30, 2013.

(C) on Pg 16

Pg 13 (B)

Pg 13 (B)  
Minus Pg 12 (L)

f+h - Pg 18

For the year ended June 30, 2015, the District recognized pension expense of \$38,786. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience  | \$ 4,723 a                        | \$ -                             |
| Changes of assumptions  | 19,178 b                          | -                                |
| Net difference between projected and actual earnings on pension plan investments                              | -                                 | 165,728 d                        |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 26,800 g                          | -                                |
| District contributions subsequent to the measurement date   | 67,052 x                          | -                                |
| <b>Total</b>  | <b>\$ 117,753</b>                 | <b>\$ 165,728</b>                |

all from Pg 18

x - Pg 18

Totals to Pg 24

\$67,052 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended 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 Ended<br>June 30, |                     |
|------------------------|---------------------|
| 2016                   | \$ (29,586)         |
| 2017                   | (29,586)            |
| 2018                   | (29,586)            |
| 2019                   | (29,586)            |
| 2020                   | 3,317               |
| <b>Total</b>           | <b>\$ (115,027)</b> |

From Pg 19

There were no non-employer contributing entities at IPERS.

**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<br>(effective June 30, 2014)                   | 3.00 percent per annum   |
| Rates of salary increase<br>(effective June 30, 2010)            | 4.00 to 17.00 percent, average, including inflation. Rates vary by membership group. |
| Long-term investment rate of return<br>(effective June 30, 1996) | 7.50 percent, 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 pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan 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:

| <u>Asset Class</u>     | <u>Asset Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------|-------------------------|---|
| 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%                    |   |

**Discount Rate** - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. 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 active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

|  | 1%<br>Decrease<br>(6.5%) | Discount<br>Rate<br>(7.5%) | 1%<br>Increase<br>(8.5%) |
|--|--------------------------|----------------------------|--------------------------|
| District's proportionate share of<br>the net pension liability | Pg 14 (Y)<br>\$ 821,081  | Pg 13 (C)<br>\$ 434,556    | Pg 19 (Z)<br>\$ 108,289  |

**Pension Plan Fiduciary Net Position** - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

*From CSD records.  
June amt paid in July*

**Payables to the Pension Plan** - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$5,767 for legally required employer contributions and \$3,842 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**(9) Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 200 active and 12 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

|  |                   |
|--|-------------------|
| Annual required contribution               | \$ 507,500        |
| Interest on net OPEB obligation            | 20,575            |
| Adjustment to annual required contribution | <u>(16,475)</u>   |
| Annual OPEB cost                           | 511,600           |
| Contributions made                         | <u>(131,000)</u>  |
| Increase in net OPEB obligation            | 380,600           |
| Net OPEB obligation beginning of year      | <u>411,500</u>    |
| Net OPEB obligation end of year            | <u>\$ 792,100</u> |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$131,000 to the medical plan. Plan members eligible for benefits contributed \$124,500, or 49% of the premium costs.

(14) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB 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 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 will not be 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 and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

|   | <u>Governmental<br/>Activities</u> | <u>Business type<br/>Activities</u> |
|---|------------------------------------|-------------------------------------|
| Net position June 30, 2014, as previously reported  | \$ 3,425,485                       | 70,746                              |
| Net pension liability at June 30, 2014  | (566,203)                          | (8,622)                             |
| Deferred outflows of resources<br>related to contributions made after the<br>June 30, 2013 measurement date | 63,068                             | 960                                 |
| Net position July 1, 2014, as restated  | <u>\$ 2,922,350</u>                | <u>63,084</u>                       |

Pg 18

Pg 18

Sample Community School District

Schedule of the District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System  
Last Fiscal Year\*  
(In Thousands)

Required Supplementary Information

GASB 68 7181A

Revised 7/29/15  
See Pg 19A

|   | 2015                                    |   |
|---|---|---|
| District's proportion of the net pension liability  | <del>0.010788%</del><br><u>.010957%</u> | (B) - Pg 13                                       |
| District's proportionate share of the net pension liability   | \$ 435                                  | (C) - Pg 13                                       |
| District's covered-employee payroll   | \$ 717                                  | From District records.<br>(Total of 4 grly 941's) |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | $435 / 717 = 60.67\%$                   |   |
| Plan fiduciary net position as a percentage of the total pension liability                                  | Pg 8 87.61%                             | JPER'S 2014 Actuary Report                        |

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

See accompanying independent auditor's report.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Sample Community School District  
 Schedule of District Contributions

Iowa Public Employees' Retirement System  
 Last 10 Fiscal Years  
 (In Thousands)

Required Supplementary Information

GASB 68 A 81 B

|   | 2015                | 2014                | 2013  | 2012  |
|---|---------------------|---------------------|-------|-------|
| Statutorily required contribution                                     | \$ 67               | 64                  | 57    | 55    |
| Contributions in relation to the<br>statutorily required contribution | (X) - Pg 18<br>(67) | (A) - Pg 13<br>(64) | (57)  | (55)  |
| Contribution deficiency (excess)                                      | \$ -                | -                   | -     | -     |
| District's covered-employee payroll                                   | \$ 750              | 717                 | 657   | 682   |
| Contributions as a percentage of<br>covered-employee payroll          | (67 ÷ 750)<br>8.93% | (64 ÷ 717)<br>8.93% | 8.67% | 8.07% |

See accompanying independent auditor's report.

From District records  
 (Total of 4 gtrly 941's)

All 10 years are required  
 since the information is  
 available.

| <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|-------------|-------------|-------------|-------------|-------------|-------------|
| 46          | 42          | 39          | 36          | 34          | 33          |
| <u>(46)</u> | <u>(42)</u> | <u>(39)</u> | <u>(36)</u> | <u>(34)</u> | <u>(33)</u> |
| -           | -           | -           | -           | -           | -           |
| 662         | 632         | 614         | 595         | 591         | 574         |
| 6.95%       | 6.65%       | 6.35%       | 6.05%       | 5.75%       | 5.75%       |

Sample Community School District

Notes to Required Supplementary Information – Pension Liability

GASB 68 9/82

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed 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 percent per year measured from the member's first unreduced retirement age to a 6 percent 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 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 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent 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 the 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.

Sample Community School District

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2015

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 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.