_____ County Community College District
(_____ College) ***Use at District's discretion***
Notes to Financial Statements
June 30, 2015

**The Office of the Auditor General created these DRAFT reporting guidelines following Governmental Accounting Standards Board (GASB) Statement No. 68 based on pension plan information that is currently available. They are subject to change as new information becomes available. We are exposing this draft for comments, questions, and feedback. Please feel free to e-mail the Office's Professional Practice Group at ppg@azauditor.gov.**

**These reporting guidelines include only the note disclosures and required supplementary information (RSI) required by GASB related to pensions and other post-employment benefits.**

**These reporting guidelines are neither authoritative nor required to be followed. Instead, they provide sample displays and disclosures to help ensure consistent and accurate presentation.**

**Understanding these reporting guidelines:**

- ***This font signifies an instruction or explanation that should not appear in the note disclosures or supplementary information.***
- **The Arizona State Retirement System expects to provide the District with most of the information it will need to complete the Notes and RSI; however, this highlight signifies information that the District will need to determine from its own records.**
- **This highlight signifies information that is not currently available but will be added to the reporting guidelines once it becomes available.**
- **Pima and Pinal Community College Districts—Refer to the Office of the Auditor General's Reporting Guidelines for Counties for the agent retirement plan disclosures and RSI related to the Public Safety Personnel Retirement System (PSPRS) if the District's PSPRS plan is significant to the District's financial statements and note disclosures.**

## Note 1 - Summary of Significant Accounting Policies

### __. 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 pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. 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.

## Note _ - Change in Accounting Principle

Net position as of July 1, 2014, has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.*

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| | |
|---|---|
| Net Position as previously reported at June 30, 2014 | |
| Prior period adjustment–implementation of GASB 68: | |
| Net pension liability (measurement date as of June 30, 2013) | |
| Deferred outflows—district contributions made during fiscal year 2014 | _____ |
| Total prior period adjustment | |
| Net position as restated, July 1, 2014 | _____ |

## Note _ - Pensions and Other Postemployment Benefits

***With the implementation of GASB Statement No. 68, there are differences between the disclosures required for pensions and OPEB. Accordingly, the disclosures below include some information for pensions that is not included for OPEB and vice versa.***

**Plan Description—**District employees participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. ASRS is a component unit of the State of Arizona. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its Web site at www.azasrs.gov.

**Benefits Provided—**The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefits terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

| | **Retirement Initial membership date:** | |
|---|---|---|
| | **Before July 1, 2011** | **On or after July 1, 2011** |
| Years of service and age required to receive benefit | Sum of years and age equals 80<br>10 years age 62<br>5 years age 50*<br>any years age 65 | 30 years age 55<br>25 years age 60<br>10 years age 62<br>5 years age 50*<br>any years age 65 |
| Final average salary is based on | Highest 36 months of last 120 months | Highest 60 months of last 120 months |
| Benefit percent per year of service | 2.1% to 2.3% | 2.1% to 2.3% |

*With actuarially reduced benefits.

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Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

**Contributions—**In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.6 percent (11.48 percent for retirement and 0.12 percent for long-term disability) of the members' annual covered payroll, and the District was required by statute to contribute at the actuarially determined rate of 11.6 percent (10.89 percent for retirement, 0.59 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the active members' annual covered payroll. ***If the District also made alternative contributions for retired members who returned to work, add the following sentence:*** In addition, the District was required by statute to contribute at the actuarially determined rate of 9.57 percent (9.51 percent for retirement and 0.06 percent for long-term disability) of annual covered payroll of retired members who worked for the District in positions that would typically be filled by an employee who contributes to the ASRS. The District's contributions to the pension plan for the year ended June 30, 2015, were $_____. The District's contributions for the current and 2 preceding years for OPEB, all of which were equal to the required contributions, were as follows:

| Year ended June 30 | Health Benefit Supplement Fund | Long-Term Disability Fund |
|---|---|---|
| 2015 | $ | $ |
| 2014 | | |
| 2013 | | |

**Pension Liability—**At June 30, 2015, the District reported a liability of $_____ for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2013, to the measurement date of June 30, 2014.

The District's reported liability at June 30, 2015, (increased/decreased) by $_____ from the District's prior year liability of $_____ because of changes in the ASRS' net pension liability and the District's proportionate share of that liability. The ASRS' publicly available financial report provides details on the change in the net pension liability.

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The District's proportion of the net pension liability was based on _____. The District's proportion measured as of June 30, 2014, was _____ percent, which was an (increase/decrease) of _____ from its proportion measured as of June 30, 2013.

***For FY 2016 and thereafter—If there were changes of benefit terms or assumptions or other inputs that affected the measurement of the total pension liability since the prior measurement date, the District should provide a brief description of these changes. There were no such changes during the June 30, 2014, measurement period.***

***If changes expected to have a significant effect on the measurement of the District's proportionate share of the collective net pension liability occurred between the measurement date and the reporting date, the District should provide a brief description of the nature of the changes and the amount of the expected resultant change in the District's proportionate share of the collective net pension liability, if known.***

**Pension Expense and Deferred Outflows/Inflows of Resources**—For the year ended June 30, 2015, the District recognized pension expense for ASRS of $_____. 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 of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ | $ |
| Changes of assumptions or other inputs | | |
| Net difference between projected and actual earnings on pension plan investments | | |
| Changes in proportion and differences between district contributions and proportionate share of contributions | | |
| District contributions subsequent to the measurement date | | |
| Total | $ | $ |

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

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| Year ending June 30 | |
|---|---|
| 2016 | $ |
| 2017 | |
| 2018 | |
| 2019 | |
| 2020 | |
| Thereafter | |

**Actuarial Assumptions**—The significant actuarial assumptions used to measure the total pension liability are as follows:

| | |
|---|---|
| Actuarial valuation date | June 30, 2013 |
| Actuarial roll forward date | June 20, 2014 |
| Actuarial cost method | Entry age normal |
| Amortization method: | |
| Plan amendments | Immediate |
| Investment gain/loss | 5 years |
| Assumption gain/loss | Average future service lives |
| Experience gain/loss | Average future service lives |
| Asset valuation | Fair value |
| Discount rate | 8% |
| Projected salary increases | 3–6.75% |
| Inflation | 3% |
| Permanent benefit increase | Included |
| Mortality rates | 1994 GAM Scale BB |

Actuarial assumptions used in the June 30, 2013, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.79 percent using a building-block method in which best-estimate ranges of expected future real rates of return (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:

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| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Equity | 63% | 7.03% |
| Fixed income | 25% | 3.20% |
| Real estate | 8% | 4.50% |
| Commodities | 4% | 4.75% |
| Total | 100% | |

**Discount Rate—**The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.79 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***For FY 2016 and thereafter—If there was a change in the discount rate from the prior measurement date, the District should disclose information about that change. There was no change from the June 30, 2013, measurement date.***

**Sensitivity of the District's Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate—**The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 8 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 (7 percent) or 1 percentage point higher (9 percent) than the current rate:

| | 1% Decrease (7%) | Current Discount Rate (8%) | 1% Increase (9%) |
|---|---|---|---|
| District's proportionate share of the net pension liability | $ | $ | $ |

**Pension Plan Fiduciary Net Position—**Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

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_____ County Community College District
(_____ College) ***Use at District's discretion***
Required Supplementary Information
Schedule of the District's Proportionate Share of Net Pension Liability
June 30, 2015

***Covered-employee payroll amounts presented in the schedule below should be for the fiscal year ended on the measurement date of the net pension liability. For example, the covered-employee payroll reported in the fiscal year 2015 column (the District's fiscal year-end) should be the covered-employee payroll for fiscal year 2014 (the measurement date of the net pension liability). Covered-employee payroll means total compensation of employees that are provided with pensions through the pension plan. This may include compensation on which the District does not make contributions such as compensation amounts that exceed the maximum annual compensation limit the Internal Revenue Service sets.***

## Arizona State Retirement System

| | Fiscal Year | | |
|---|---|---|---|
| | **2015** | | **2014 through 2006** |
| District's proportion of the net pension liability | | % | Information not available |
| District's proportionate share of the net pension liability | $ | | |
| District's covered-employee payroll | $ | | |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | | % | |
| Plan fiduciary net position as a percentage of the total pension liability | | % | |

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See accompanying notes to pension plan schedules.

_____ County Community College District
(_____ College) ***Use at District's discretion***
Required Supplementary Information
Schedule of District Pension Contributions
June 30, 2015

***If the District has the information required below for periods prior to fiscal year 2014, the District should modify the schedule below to provide information for as many years as such information is available.***

***Amounts presented in the schedule below should be for the District's fiscal year-end.***

## Arizona State Retirement System

| | Fiscal Year | | |
|---|---|---|---|
| | **2015** | **2014** | **2013 through 2006** |
| Statutorily required contribution | $ | $ | Information not available |
| District's contributions in relation to the statutorily required contribution | | | |
| District's contribution deficiency (excess) | $ | $ | |
| District's covered-employee payroll | $ | $ | |
| District's contributions as a percentage of covered-employee payroll | % | % | |

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See accompanying notes to pension plan schedules.

_____ County Community College District
(_____ College) ***Use at District's discretion***
Required Supplementary Information
Notes to Pension Plan Schedules
June 30, 2015

## Note 1 – Factors That Affect Trends

***Disclose information about the factors that significantly affect trends in the amounts reported in the schedules including, for example, changes in benefit provisions, changes in the size or composition of the population covered by the benefit terms, or the use of different assumptions.***

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