

**CITY OF DELANO EMPLOYEE PENSION PLAN  
(A Pension Trust Fund of the City of Delano)**

**FINANCIAL STATEMENTS**

Year Ended June 30, 2016

**CITY OF DELANO EMPLOYEE PENSION PLAN**

Financial Statements and Supplemental Schedules

Year ended June 30, 2016

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Pension Committee and Trustees  
City of Delano Employee Pension Plan  
Delano, California

## **INDEPENDENT AUDITORS' REPORT**

### **Report on the Financial Statements**

We have audited the accompanying statement of fiduciary net position of the City of Delano Employee Pension Plan (the "Plan") as of June 30, 2016, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plan, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of changes in the net pension liability and related ratios, schedule of contributions, schedule of investment returns 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 who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Management has omitted the management's discussion and analysis. Our opinion on the basic financial statements is not affected by this missing information. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Irvine, California  
December 30, 2016

**CITY OF DELANO EMPLOYEE PENSION PLAN**

Statement of Fiduciary Net Position

June 30, 2016

<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,109,585
Prepaid and other assets	137,249
Investments:	
Domestic stocks	13,407,411
International stocks	4,098,026
Guaranteed investment contract	4,518,764
Mutual funds	1,030,283
Annuities	866,922
Insurance products	<u>527,000</u>
Total investments	<u>24,448,406</u>
<b>TOTAL ASSETS</b>	<u><b>26,695,240</b></u>
<b>LIABILITIES</b>	
Due to employer	238,415
Other liabilities	<u>8,062</u>
<b>TOTAL LIABILITIES</b>	<u><b>246,477</b></u>
<b>NET POSITION</b>	
Restricted for pension benefits	<u>26,448,763</u>
<b>TOTAL NET POSITION</b>	<u><u><b>\$ 26,448,763</b></u></u>

See notes to the financial statements.

**CITY OF DELANO EMPLOYEE PENSION PLAN**

Statement of Changes in Fiduciary Net Position

For the Fiscal Year Ended June 30, 2016

ADDITIONS

Contributions:

Employer	\$ 1,854,874
Participants	<u>663,048</u>

Total contributions	<u>2,517,922</u>
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Investment income:

Net appreciation in fair value of investments	(427,642)
Interest and dividends	<u>190,630</u>

Total investment income	(237,012)
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Less: investment expense	<u>(262,660)</u>
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Total net investment income	<u>(499,672)</u>
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TOTAL ADDITIONS	<u>2,018,250</u>
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DEDUCTIONS

Benefits paid to participants, including refunds of participant contributions	2,304,909
Administrative expenses	<u>107,622</u>

TOTAL DEDUCTIONS	<u>2,412,531</u>
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NET DECREASE IN NET POSITION	(394,281)
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NET POSITION RESTRICTED FOR PENSIONS

Beginning of year	<u>26,843,044</u>
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End of year	<u><u>\$ 26,448,763</u></u>
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See notes to the financial statements.

# CITY OF DELANO EMPLOYEE PENSION PLAN

Notes to the Financial Statements

For the year ended June 30, 2016

## (1) Description of Plan

The following description of the City of Delano Employee Pension Plan (the "Plan") provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions, which are available from the plan administrator.

**General** - The Plan was established on June 1, 1967, and is governed by City Ordinance 2011-1221 of the City of Delano's Municipal Code. The ordinance assigns authority to establish and amend the benefit provisions of the Plan to the City Council. It is administered by the Pension Committee and the trustees. The Plan is a single employer public employee retirement defined benefit plan. All full-time management and general employees of the City are eligible to participate in the Plan (prior to July 1, 2005, safety employees were also eligible to participate).

The Plan membership as of June 30, 2016 was comprised as follows:

Active members	215
Retirees currently receiving benefits	90
Terminated members entitled to but not yet receiving benefits	<u>107</u>
Total	<u><u>412</u></u>

**Pension Benefits** - The annual normal retirement allowance of an employee who retires on a normal retirement date and expressed as a single-life annuity shall be determined by multiplying the employee's years of credited service by a factor which considers the employee's monthly average compensation during the three consecutive years that yield the highest average pay. Employees are entitled to monthly retirement benefits beginning at the normal retirement age of 60. City employees who retire at the normal retirement age receive benefits that are partially integrated with social security and are computed by multiplying the first \$833.33 average monthly compensation by 2% plus the average monthly compensation times 2.4% for the amounts in excess of \$833.33 by the number of years of credited service.

The Plan permits early retirement with reduced retirement benefits at any time within five years preceding the participant's normal retirement date of age 60 (age 62 before July 1, 2007) for general employees; and age 55 for safety employees including management of safety employees. For new employees hired after January 1, 2013, the earliest retirement age is 52 with at least 5 years of credited service. An early retiree would have fewer years of contributions to the Plan and would be drawing a monthly check for a longer period of time, so that the retiree would receive lower benefits per month than an employee who retires at normal retirement age.

CITY OF DELANO EMPLOYEE PENSION PLAN

Notes to the Financial Statements

(Continued)

(1) **Description of Plan (Continued)**

At retirement, a participant may elect to receive a lump-sum amount equal to the value of the participant’s interest in his/her account after termination of active service, which will reduce the actuarially determined pension payments as previously described.

**Death and disability benefits** - The spouse of a participant will receive a 50%, 66 2/3%, or 100% survivor annuity, as defined in the Plan, upon the death of the participant. The surviving spouse annuity is equal to 50%, 66 2/3%, or 100% of the participant’s monthly benefit. This benefit is immediately payable to the spouse if the participant was already receiving benefits. If the participant was not already receiving benefits, payments to the spouse may commence as of the earliest date the participant would have received benefits. On termination due to death, benefits to the surviving spouse, lump-sum or otherwise, will depend upon whether the retiree has reached the early retirement age at the time of death which is 55 for general members. Active employees who become totally disabled receive annual disability benefits that are equal to the normal retirement benefits they have accumulated as of the time they become disabled. Disability benefits are paid until normal retirement age at which time disabled participants begin receiving normal retirement benefits computed as though they had been employed to normal retirement age with their annual compensation remaining the same as at the time they became disabled.

**Vesting** - Pension benefit distributions are based upon a combination of age, years or service, monthly salary, and the retirement option selected by the participant. Vesting is 100 percent upon death. Members’ contributions, including interest, are 100 percent vested at all times. Employer contributions are subject to the following vesting schedule:

<u>Years of Service</u>	<u>Vested %</u>
3	20%
4	40%
5	60%
6	80%
7 or more	100%

Vested amounts are not payable until the member attains the age of 60 for general and management members and 55 for safety members.

**Contributions** – Contributions are made by the members and the employer at rates recommended by the Plan’s independent actuary and adopted by the City Council. Participant contributions are mandatory as long as the employee is an eligible participant of the Plan. The City makes employer contributions after the 5<sup>th</sup> year of covered employment for all participants except management employees, the employer contributions are made immediately after being admitted to the Plan. The participant’s accumulated contribution cannot be withdrawn by the participant (except for active police officers, their respective account balances were transferred to CalPERS, effective June 30, 2005) while employed by the City.



CITY OF DELANO EMPLOYEE PENSION PLAN

Notes to the Financial Statements

(Continued)

(1) **Description of Plan (Continued)**

The participant’s contribution rates, which are a percentage of the participant’s base monthly salary (excluding overtime, educational, incentive and/or longevity), are as follows:

Management (including police management)	9.0%
Safety/Police (prior to July 1, 2005)	7.4%
General	6.2%

The City makes the above contribution on behalf of its employees based on the participants’ basic earnings, years of service, and job classification, except educational, incentive or longevity pay, which is excluded from the participant’s basic earnings. Participant accounts are credited with interest at 6% per year.

Effective June 1, 2013 for management employees, and December 29, 2012 for general employees, all members not contributing shall be required to pay 3% of their base pay towards retirement. All existing General unit members currently paying 6.2% of their base pay towards retirement will continue to pay 6.2% until their 5th year of service. The first pay period 5 years after their hire date, General unit members shall be required to pay 3% of their base pay towards retirement. Newly hired General unit members on or after January 1, 2013 shall be required to pay 6.2% or 50% of normal cost, whichever is greater. Newly hired Management unit members on or after January 1, 2013 shall be required to pay 9% or 50% of normal cost, whichever is greater.

In addition the City contributes a percentage of employee base monthly salary for an actuarially sound pension program based on the actuarial valuation report. Administrative costs of the Plan are financed through investment earnings.

**Termination** - For termination of service due to other reasons, a participant may receive the value of the vested interest in his/her account as a lump-sum distribution. In the instances where the terminated participant is not eligible to receive a lump-sum distribution, the participant is only eligible to receive the account balance of his/her accumulated contributions. In some cases, a deferred annuity remains.

(2) **Summary of Significant Accounting Policies**

**Reporting entity** - The Plan, with its own governing board, is an independent public employee defined benefit plan. The Plan’s annual financial statements are included in the City of Delano’s Annual Financial Report as a pension trust fund.

**Measurement focus and basis of accounting** – The Plan’s operations are accounted for on an economic resources measurement focus and the accrual basis of accounting. Employer and member contributions are recognized when due pursuant to formal commitments, as well as statutory or contractual requirements. Investment income is recognized as revenue when earned. Retirement benefits and refunds are recognized when due and payable in accordance with terms of the Plan. Other expenses are

# CITY OF DELANO EMPLOYEE PENSION PLAN

## Notes to the Financial Statements

(Continued)

### (2) **Summary of Significant Accounting Policies (Continued)**

recognized when the corresponding liabilities are incurred. The net appreciation in fair value of investments is recorded as an increase to investment income based on the valuation of investments. The entire expense of Plan administration is charged against the earnings of the Plan. Investment earnings are reduced for investment management fees, portfolio evaluation, and custodial services.

**Use of estimates** - The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and changes therein, disclosures of contingent assets and liabilities and the actuarial present value of accumulated plan benefits at the date of the financial statements. Accordingly, actual results may differ from those estimates.

**Cash and cash equivalents** - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**Investment valuation** – Short-term investments consist of deposits held by money market mutual funds which are invested in short-term U.S. government securities and diversified money market mutual funds. These investments, as well as investments in other mutual funds, corporate debt securities, foreign and municipal issues, and common stocks are carried at current fair market value.

Investments in group annuity contracts with insurance companies are valued at contract value. Contract value represents contributions made under the contract, plus interest at the contract rate, less funds used to make benefit payments and pay administrative expenses.

**Fair Value Measurements** - Certain assets and liabilities are required to be reported at fair value. The fair value framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and fair value is determined through the use of models or other valuation methodologies including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are inactive;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

**CITY OF DELANO EMPLOYEE PENSION PLAN**

Notes to the Financial Statements

(Continued)

**(2) Summary of Significant Accounting Policies (Continued)**

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable input reflect the Plan's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). These unobservable inputs are developed based on the best information available in the circumstances and may include the Plan's own data.

**(3) Cash and Investments**

Cash and investments consist of the following as of June 30, 2016:

Cash and cash equivalents	\$ 2,109,585
Investments	<u>24,448,406</u>
Total cash and investments	<u>\$26,557,991</u>

**A. Deposits**

**Custodial Credit Risk** - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The Plan's deposit policy requires deposits to be covered by federal depository insurance and collateral having a market value of 110% of the uninsured deposit. As of June 30, 2016, the Plan has a bank balance of \$2,109,585. Of the bank balance, \$2,109,585 was covered by federal depository insurance or collateral held by the Plan's agent in the Plan or agent's name.

**B. Investments**

Investments consist of the following as of June 30, 2016:

Domestic stocks	\$ 13,407,411
International stocks	4,098,026
Guaranteed investment contract	4,518,764
Mutual funds	1,030,283
Annuities	866,922
Insurance Products	<u>527,000</u>
Total investments	<u>\$ 24,448,406</u>

**Authorized Investments** - The investments listed above are managed by the trustee under the direction of the City of Delano Pension Committee. Per the Plan's Investment Policy, the pension committee with input from the investment advisor shall establish and review annually the target asset allocation taking into account expected level of interest rates, expected returns of asset classes, correlations among asset classes and benefit requirements.

# CITY OF DELANO EMPLOYEE PENSION PLAN

## Notes to the Financial Statements

(Continued)

### (3) Cash and Investments (Continued)

	<u>Target Allocation</u>	<u>Approved Range</u>
Equity	73%	50-80%
Fixed Income & Annuities	25%	20-50%
Cash	2%	0-30%
Other Asset Classes	0%	0-10%
Domestic Large Cap Stocks	50%	35-65%
Domestic Mid Cap Stocks	20%	10-30%
Domestic Small Cap Stocks	10%	5-15%
International Stocks	20%	15-30%
Emerging Markets	0%	0-10%
Alternative Investments	0%	0-10%

Alternative Investments include hedge funds, managed futures and private equity. REIT's could be included in this category, although individual equity managers have REIT's in their portfolios. Equity performance will be measured against the appropriate S&P, Russell and MSCI EFA indices. The fixed income performance will be measured against the Barclays Capital US Aggregate Bond Index, unless a specific fixed income manager uses a different benchmark. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

The Plan's investments are held by various agents consisting of insurance companies, financial institutions, and nationally recognized brokerage firms. The investments may be held in direct form, pooled form, or both.

**Rate of return** - For the year ended June 30, 2016, the annual money-weighted rate of return(loss) on Plan investments, net of investment expense, was (2.23) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Custodial Credit Risk** - For an investment held in the form of securities, custodial credit risk is the risk that, in the event of a failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Plan's investments, \$18,280,183 is subject to custodial credit risk. These securities are held by the Plan's agents or brokers and they are not held in the Plan's name.

**CITY OF DELANO EMPLOYEE PENSION PLAN**

Notes to the Financial Statements

(Continued)

**(3) Cash and Investments (Continued)**

**Credit Risk and Interest Rate Risk** - Investments subject to credit risk and interest rate risk consist of the following as of June 30, 2016:

Investment Type	Ratings as of Year End	
	Not Rated	Total
Domestic stocks	\$ 13,407,411	13,407,411
International stocks	4,098,026	4,098,026
Guaranteed investment contract	4,518,764	4,518,764
Mutual funds	1,030,283	1,030,283
Annuities	866,922	866,922
Insurance Products	527,000	527,000
<b>Total investments</b>	<b>\$ 24,448,406</b>	<b>24,448,406</b>

Investment Types	Amount	Less than 1	1 to 5	More than 5
		Year	Years	Years
Domestic stocks	\$ 13,407,411	13,407,411	-	-
International stocks	4,098,026	4,098,026	-	-
Guaranteed investment contract	4,518,764	657,369	3,861,395	-
Mutual funds	1,030,283	1,030,283	-	-
Annuities	866,922	-	-	866,922
Insurance Products	527,000	527,000	-	-
	<b>\$ 24,448,406</b>	<b>19,720,089</b>	<b>3,861,395</b>	<b>866,922</b>

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk can be measured by obtaining ratings issued by nationally recognized statistical rating organizations such as Standard & Poor's or, Moody's Investors service, to name a few. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater will be the sensitivity of its fair value to changes in market interest rates.

**Concentration of Credit Risk** - The Plan is required, under GASB 40, to provide information about the concentration of credit risk associated with their investments in any one issuer that represent 5% or more of total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The plan did not have any one issuer that represents more than 5% of total investments.

**CITY OF DELANO EMPLOYEE PENSION PLAN**

Notes to the Financial Statements

(Continued)

**(3) Cash and Investments (Continued)**

**Fair Value Measurement** - The Plan categorizes certain assets and liabilities within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following recurring fair value measurements as of June 30, 2016:

Investment Types	Amount	(Level 1)	(Level 2)	(Level 3)
Domestic stocks	\$ 13,407,411	13,407,411	-	-
International stocks	4,098,026	4,098,026	-	-
Total investments measured at fair value	17,505,437	17,505,437	-	-
<u>Investments not measured at fair value</u>				
Guaranteed Investment Contract	4,518,764			
Mutual funds	1,030,283			
Annuities	866,922			
Insurance Products	527,000			
Total Investments	\$ 24,448,406			

**(4) Net Pension Liability**

The components of the net pension liability of the City of Delano at June 30, 2016, were as follows:

Total pension liability	\$ 48,329,553
Less: plan fiduciary net position	(26,448,763)
Net pension liability	\$ 21,880,790
Plan fiduciary net position as a percentage of total pension liability	55%

**Actuarial Methods and Assumption** – The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Asset Valuation Method	Investment gains and losses spread over a 5-year fixed period Not less than 80% nor more than 120% of market value
Actuarial Assumptions	
Discount Rate	7.00%
Inflation	2.75%
Payroll Growth	3.25%
Investment Rate of Return	7.00% net of investment expenses

**CITY OF DELANO EMPLOYEE PENSION PLAN**

Notes to the Financial Statements

(Continued)

**(4) Net Pension Liability (Continued)**

Mortality rates were based on the 1994 Group Annuity Mortality Tables for Males or Females, as appropriate, with adjustments based on Scale AA for mortality improvement from 1994 to 1999.

The long-term expected rate of return on Plan investments was determined 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	New Strategic Allocation	Expected Real Rate of Return
Equities	51.0%	4.60%
Fixed income and annuities	25.0%	2.75%
International equities	15.0%	5.30%
Alternatives	7.0%	5.90%
Cash	2.0%	0.50%

**Discount rate** - The discount rate used to measure the total pension liability was 6.43%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be depleted for current members during the 2068 fiscal year. Therefore, the long-term expected rate of return 7.00% was used to discount funded projected benefit payments and the municipal bond rate 3.00% was used to discount unfunded projected benefit payments to determine the total pension liability. The single effective discount rate was 6.43%.

**Sensitivity of the net pension liability to changes in the discount rate** - The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 6.43 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.43 percent) or 1 percentage-point higher (7.43 percent) than the current rate:

	1% Decrease (5.43%)	Current discount rate (6.43%)	1% Increase (7.43%)
City's net pension liability	\$ 28,393,061	21,880,790	16,490,781

# CITY OF DELANO EMPLOYEE PENSION PLAN

## Notes to the Financial Statements

(Continued)

**(5) Tax status**

The Internal Revenue Service has determined and informed the City of Delano by letter dated January 31, 2012, that the Plan (as restated July 1, 2010) and the related trust are designed in accordance with the applicable sections of the Internal Revenue Code.

**(6) Risks and Uncertainties**

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of fiduciary net position.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation and assumption process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.



REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF DELANO EMPLOYEE PENSION PLAN**

Schedule of Changes in the Net Pension Liability and Related Ratios

Last 10 Fiscal Years\*\*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>TOTAL PENSION LIABILITY</b>			
Service cost	\$ 1,358,450	1,498,262	696,818
Interest	3,215,363	3,053,509	2,648,771
Changes of benefit terms	-	-	-
Difference between expected and actual experience	1,144,412	-	14,542
Change in assumptions	(811,521)	-	-
Benefit payments, including refunds	<u>(2,304,909)</u>	<u>(1,894,612)</u>	<u>(1,903,497)</u>
Net change in total pension liability	2,601,795	2,657,159	1,456,634
Total pension liability - beginning, as restated*	<u>45,727,758</u>	<u>43,070,599</u>	<u>35,920,288</u>
Total pension liability - ending (a)	<u>\$ 48,329,553</u>	<u>45,727,758</u>	<u>37,376,922</u>
<b>PLAN FIDUCIARY NET POSITION</b>			
Contributions - employer	\$ 1,854,874	2,131,025	2,039,080
Contributions - employee	663,048	628,574	510,994
Net investment income	(499,672)	872,842	3,310,936
Benefit payments, including refunds	(2,304,909)	(1,894,612)	(1,903,497)
Administrative expense	(107,622)	(105,743)	(82,163)
Other	-	-	747
Net change in plan fiduciary net position	<u>(394,281)</u>	<u>1,632,086</u>	<u>3,876,097</u>
Plan fiduciary net position - beginning	<u>26,843,044</u>	<u>25,210,958</u>	<u>21,334,861</u>
Plan fiduciary net position - ending (b)	<u>\$ 26,448,763</u>	<u>26,843,044</u>	<u>25,210,958</u>
Net pension liability - ending (a) - (b)	<u>\$ 21,880,790</u>	<u>18,884,714</u>	<u>12,165,964</u>
Plan fiduciary net position as a % of total pension liability	54.73%	58.70%	67.45%
Covered employee payroll	\$ 10,130,191	11,210,748	8,895,270
Net pension liability as a % of covered-employee payroll	216.00%	168.45%	136.77%

**Notes to schedule:**

Benefit Changes - None.

\*Changes in assumptions - During the year ending June 30, 2016 the actuarial valuation assumptions were changed. These changes caused the beginning total pension liability to be restated from the prior year. The Salary assumption was changed from a flat 3.00% to a service based schedule. Retirement rates have been updated from a single age 62 to reflect incidences of both early and delayed retirement. Withdrawal rates have been updated to reflect a graded turnover scale with higher initial rates and lower ultimate rates. Pre-retirement death rates have been added. Disability rates have been added.

\*\* - The Plan adopted GASB 67 in the year ended June 30, 2014. Until a full 10-year trend is available, the Plan will present information for the years that are available. As of June 30, 2016, information for three years was available.

**CITY OF DELANO EMPLOYEE PENSION PLAN**

Schedule of Contributions

Last 10 Fiscal Years\*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 1,854,831	1,847,426	2,039,080
Contributions in relation to the actuarially determined contribution	<u>1,854,874</u>	<u>2,131,025</u>	<u>2,039,080</u>
Contribution deficiency (excess)	<u>\$ (43)</u>	<u>(283,599)</u>	<u>-</u>
Covered-employee payroll	\$ 10,130,191	11,210,748	8,895,270
Contributions as a percentage of covered employee payroll	18.31%	19.01%	22.92%

**Notes to schedule:**

Valuation date: Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.

Actuarial cost method: Entry age normal cost  
 Amortization method: Level percentage of payroll, open  
 Asset valuation method: 5-year smoothed market value  
 Actuarial assumptions:  
     Inflation 2%  
     Projected salary increases 3% - 6.25%  
     Investment rate of return 7%, net pension plan investment expense including inflation

Retirement age Assumed average retirement age is 62; normal retirement age is 60

Mortality table RP-2006 Blue Collar Mortality Table projected forward 15 years using the Social Security Administration Scale.

\* - The Plan adopted GASB 67 in the year ended June 30, 2014. Until a full 10-year trend is available, the Plan will present information for the years that are available. As of June 30, 2016, information for three years was available.

**CITY OF DELANO EMPLOYEE PENSION PLAN**

Schedule of Investment Returns

Last 10 Fiscal Years\*  
(With comparative information for the last 10 years)\*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	(2.23%)	3.44%	15.43%

**Notes to schedule:**

\* - The Plan adopted GASB 67 in the year ended June 30, 2014. Until a full 10-year trend is available, the Plan will present information for the years that are available. As of June 30, 2016, information for three years was available.