

City of El Cerrito Employees' Pension Plan

El Cerrito, California

*Basic Financial Statements
and Independent Auditor's Report*

For the year ended June 30, 2018

El Cerrito Employees' Pension Plan

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Basic Financial Statements:	
Statement of Fiduciary Net Position	5
Statement of Changes in Plan Net Position.....	6
Notes to Basic Financial Statements	7
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on and Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	10

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INDEPENDENT AUDITOR'S REPORT

To the Pension Board
of the El Cerrito Employees' Pension Plan
El Cerrito, California

Report on the Financial Statements

We have audited the accompanying financial statements of the City of El Cerrito Employees' Pension Plan (Plan), a component unit of the City of El Cerrito, California (City), as of and for the year ended Error! Unknown **switch argument**., and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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.

To the Pension Board
of the El Cerrito Employees' Pension Plan
El Cerrito, California
Page 2

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plan as of Error! Unknown **switch argument.**, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1, the financial statements present only the Plan and do not purport to, and do not, present fairly the financial positions of the City as of Error! Unknown **switch argument.**, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report date March 25, 2019, on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing and not to provide and opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and on compliance.



Badawi & Associates, CPAs
Oakland, California
March 25, 2019

BASIC FINANCIAL STATEMENTS

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City of El Cerrito Employees' Pension Plan
Statement of Fiduciary Net Position
June 30, 2018

ASSETS

Cash and investments	\$ -
Total assets	-

LIABILITIES

Due to other funds	-
Total liabilities	-

NET POSITION (DEFICIT)	\$ -
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City of El Cerrito Employees' Pension Plan
Statement of Changes in Plan Net Position
For the year ended June 30, 2018

ADDITIONS:

Employer contributions	\$ 121,669
Total additions	<u>121,669</u>

DEDUCTIONS:

Retirement and other benefits	<u>121,669</u>
Total deductions	<u>121,669</u>

NET CHANGE IN NET POSITION -

NET POSITION HELD IN TRUST FOR PENSION BENEFITS:

Beginning of year	<u>-</u>
End of year	<u><u>\$ -</u></u>

NOTES TO BASIC FINANCIAL STATEMENTS

City of El Cerrito Employees' Pension Plan
Notes to Basic Financial Statements
For the year ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Reporting Entity

The City of El Cerrito Employees' Pension Plan is a single-employer defined benefit pension plan governed by the City Council of the City of El Cerrito that serves as the Pension Board. The Employees' Pension Plan is governed by the City's Retirement System Ordinance, Chapter 3 of the City of El Cerrito Municipal Code, and is used to account for contributions and investment income restricted to pay retirement and certain death and disability benefits for employees who elected not to be covered by the Public Employees Retirement System as of February 6, 1959. Benefit and contribution provisions are established by the Pension Board. Eligibility, actuarial interest rates, administration and certain other tasks are the responsibility of the Pension Board established by the above ordinance.

B. Basis of Accounting

Basis of accounting refers to when additions and deductions are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Plan uses the accrual basis of accounting, under which additions are recognized when earned and deductions are recognized when incurred. Contributions are recorded as additions when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

C. Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows/inflows of resources and liabilities and disclosure of contingent assets, deferred outflows/inflows of resources and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. PLAN DESCRIPTION AND CONTRIBUTION INFORMATION

The City of El Cerrito Employees' Pension Plan is not part of CalPERS. The Plan is a closed plan and is a single-employer defined benefit pension plan. The Plan covers only employees who elected not to be covered by CalPERS as of February 6, 1959. As of July 1, 2013, the latest actuarial valuation date, the pension plan had two members. As of Error! Unknown **switch argument.**, the Plan had two members, both of whom are retired. The Plan provides retirement benefits generally equal to 50% of the annual salary of the Plan member at the time of retirement plus 50% of any change in salary after that date. The Plan also provides certain disability and death benefits. The City administers the Plan and the Plan is closed to new entrants.

City of El Cerrito Employees' Pension Plan
Notes to Basic Financial Statements
For the year ended June 30, 2018

2. PLAN DESCRIPTION AND CONTRIBUTION INFORMATION, Continued

No contributions are made by Plan members, since all Plan members are retired. The most recent actuarial accrued liability was determined as part of an actuarial valuation at July 1, 2013 using the projected unit credit method. Significant actuarial assumptions used in determining the actuarial accrued liability include: (a) a rate of return on the investment of present and future assets of 4.0% per year compounded annually, if the Plan were to be funded, and (b) annual postretirement benefit increases at 2.5% per year. Required contributions are based on the actual pension benefits received by each of the remaining members, adjusted annually for inflation which is equal to the annual post-retirement benefit increases of 2.5% per year. The plan is amortized using the level dollar method over 30 years on a closed basis.

The Plan's assets were exhausted as of June 30, 2005 and current and future payments are and will be made on a "pay as you go" basis from the City's General Fund.

The actuarial present value of the projected benefits of plan members and the Plan's schedule of funding status through the 2013 valuation date was as follows:

Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Total Unfunded Actuarial Liability (UUAL)	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
7/1/2000	\$ 258,685	\$ 2,272,500	\$ (2,013,815)	11.4%	N/A	N/A
7/1/2001	148,000	2,053,000	(1,905,000)	7.2%	N/A	N/A
7/1/2004	6,036	1,502,924	(1,496,888)	0.4%	N/A	N/A
7/1/2007	-	1,282,150	(1,282,150)	0.0%	N/A	N/A
7/1/2010	-	947,848	(947,848)	0.0%	N/A	N/A
7/1/2013	-	703,280	(703,280)	0.0%	N/A	N/A

Because the fiduciary net position is \$0, the City contributes 100% of its annual required contribution and therefore does not have a pension obligation included on the financial statements. The Plan's annual pension cost for the nine most recent fiscal years is as follows:

Fiscal Year Ended	Annual Pension Cost	Percentage Contributed
2010	\$ 148,256	100.0%
2011	149,466	100.0%
2012	141,769	100.0%
2013	112,257	100.0%
2014	112,781	100.0%
2015	115,337	100.0%
2016	121,853	100.0%
2017	119,717	100.0%
2018	121,669	100.0%



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Pension Board
of the City of El Cerrito Employees' Pension Plan
El Cerrito, California

We have audited, in accordance with the 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, the financial statements of the City of El Cerrito Employees' Pension Plan (Plan), a component unit of the City of El Cerrito, California, as of and for the year ended Error! Unknown switch argument., and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements, and have issued our report thereon dated March 25, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

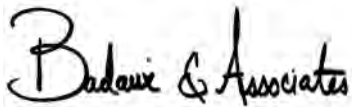
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Pension Board
of the City of El Cerrito Employees' Pension Plan
El Cerrito, California
Page 2

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi & Associates, CPAs
Oakland, California
March 25, 2019