

CITY OF EL CERRITO
EMPLOYEES' PENSION PLAN
BASIC COMPONENT UNIT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

**CITY OF EL CERRITO
EMPLOYEES' PENSION PLAN
FOR THE YEAR ENDED JUNE 30, 2011**

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying basic component unit financial statements of the City of El Cerrito Employees' Pension Plan a component unit of the City of El Cerrito, California as of June 30, 2011 and for the year then ended, as listed in the table of contents. These component unit financial statements are the responsibility of the management of the City of El Cerrito Employees' Pension Plan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the component unit financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic component unit financial statements referred to above present fairly in all material respects the financial position of the City of El Cerrito Employees' Pension Plan as of June 30, 2011, and the changes in financial position for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. The Plan has not presented the Management Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic component unit financial statements

Maze & Associates

December 14, 2011

CITY OF EL CERRITO
EMPLOYEES' PENSION PLAN
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2011

ASSETS	<u>\$0</u>
NET ASSETS	<u><u>\$0</u></u>

See accompanying notes to the financial statements

CITY OF EL CERRITO
EMPLOYEES' PENSION PLAN
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

ADDITIONS	
Employer contributions	<u>\$149,466</u>
Total additions	<u>149,466</u>
DEDUCTIONS	
Retirement and other benefits	<u>149,466</u>
Total deductions	<u>149,466</u>
NET CHANGE IN NET ASSETS	
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
Beginning of year	<u> </u>
End of year	<u><u> </u></u>

See accompanying notes to the financial statements

THE CITY OF EL CERRITO EMPLOYEES' PENSION PLAN
Notes to Basic Component Unit Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Reporting Entity

These financial statements present only the accounts of the Employees' Pension Plan. These accounts are also included in the Comprehensive Annual Financial Report of the City of El Cerrito as a Pension Trust Fund which is used to account for assets held in a trustee capacity for the benefit of the Plan's participants. The administration, investment and disbursement of the Plan's funds are under the control of the Pension Board.

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.

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 and liabilities and disclosure of contingent assets 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.

NOTE 2 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION

The City of El Cerrito Employees' Pension Trust Fund is not part of the 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, 2010, the latest actuarial valuation date, the pension plan had three members. As of June 30, 2011, the Plan had three members, all 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 Plan is closed to new entrants.

THE CITY OF EL CERRITO EMPLOYEES' PENSION PLAN
Notes to Basic Component Unit Financial Statements

NOTE 2 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (Continued)

No contributions are made by Plan members, since all Plan members are retired. The actuarial accrued liability was determined as part of an actuarial valuation at July 1, 2010 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 6.0% per year compounded annually, if the Plan were to be funded, and (b) annual post-retirement benefit increases at 3.5% per year. Required contributions are based on the actual pension benefits received by each of the remaining three members, adjusted annually for inflation which is equal to the annual post-retirement benefit increases of 3.5% 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 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 has been estimated to be \$947,848 at July 1, 2010. The Plan's schedule of funding status is as follows:

Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Total Unfunded		Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
			Actuarial Accrued Liability (UUAL)	Funded Ratio		
7/1/1999	\$369,745	\$2,272,500	(\$1,902,755)	16.3%	N/A	N/A
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	0	1,282,150	(1,282,150)	0.0%	N/A	N/A
7/1/2010	0	947,848	(947,848)	0.0%	N/A	N/A

The City contributes 100% of its annual required contribution and therefore does not have a net pension obligation. The Plan's annual pension cost for the six most recent fiscal years is as follows:

Fiscal Year Ended	Annual Pension Cost	Percentage Contributed
2006	\$215,841	100%
2007	181,873	100%
2008	184,919	100%
2009	145,166	100%
2010	148,256	100%
2011	149,466	100%