CITY OF EL CERRITO

EMPLOYEES' PENSION PLAN

BASIC COMPONENT UNIT
FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

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CITY OF EL CERRITO
EMPLOYEES' PENSION PLAN
FOR THE YEAR ENDED JUNE 30, 2014

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MAZE & ASSOCIATES

INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying basic component unit 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 June 30, 2014, and the related notes to the financial statements, which collectively compromise the Plan's 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 basic component unit 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 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 opinions.

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Opinions

In our opinion, the basic component unit financial statements referred to above present fairly, in all material respects, the financial position of the Plan as of June 30, 2014, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

As discussed in Note 1, the component unit financial statements present only the Plan and are not intended to present fairly the financial position and the results of operations of the City of El Cerrito in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statement 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2015, on our consideration of the City'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 control over financial reporting and compliance and the results of that testing, and not to provide an 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 City's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
February 24, 2015

CITY OF EL CERRITO
EMPLOYEES' PENSION PLAN
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2014

ASSETS	
NET POSITION	

See accompanying notes to the financial statements

CITY OF EL CERRITO
EMPLOYEES' PENSION PLAN
STATEMENT OF CHANGES IN PLAN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

ADDITIONS	
Employer contributions	$112,781
Total additions	112,781
DEDUCTIONS	
Retirement and other benefits	112,781
Total deductions	112,781
NET CHANGE IN NET POSITION	
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	
Beginning of year	
End of year	

See accompanying notes to the 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, 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.

NOTE 2 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION

The City of El Cerrito Employees' Pension Plan 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, 2013, the latest actuarial valuation date, the pension plan had two members. As of June 30, 2014, the Plan had two 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 City administers the Plan and the Plan is closed to new entrants.

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, 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 post-retirement benefit increases at 2.5% per year. Required contributions are based on the actual pension benefits received by each of the remaining two 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 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 is as follows:

Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Total Unfunded Actuarial Accrued 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	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
7/1/2013	0	703,280	(703,280)	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
2009	$145,166	100%
2010	148,256	100%
2011	149,466	100%
2012	141,769	100%
2013	112,257	100%
2014	112,781	100%