



# FY 2014-15 Comprehensive Annual Financial Report

FEBRUARY 16, 2016



# Audited Financial Statement

- ▶ Independent auditor- Vavrinek, Trine, Day & Co., LLP
- ▶ Audit RFP covers a service term of 3 years with 2 additional one-year extensions.
- ▶ Compliance audit including internal controls testing and sampling testing of transactions
- ▶ Auditors issued an unmodified (clean) opinion of the City's FY 14/15 financial statements.

# FY 2014-15 General Fund Balance



*in millions*

<b>General Fund</b>	
Beginning Fund Balance	\$15.6
Add: Revenues & Transfers In	28.5
<b>Subtotal</b>	<b>\$44.1</b>
Less: Expenditures, Transfers Out * Restricted amounts	-28.5
Less: Continuing Appropriations	-0.5
<b>General Fund Reserve</b>	<b>\$15.1</b>



# FY 2014-15 General Fund Balance Cont'd

*in millions*

## General Fund

<b>General Fund Reserve</b>	<b>\$15.1</b>
Less: Restricted and Reserved by City Council Policy	-10.5
Less: Per Council Policy Transferred to Capital Improvement Program	-2.2
<b>Unrestricted Fund Balance</b>	<b>\$2.4</b>

# New Pronouncement GASB 68

- ▶ A new financial reporting standard (GASB 68) for employee pensions.
- ▶ The liability is NOT new however the measurements and recording of the liability is now required
- ▶ Funding of the pension plan has not changed with this implementation
- ▶ The timing of the measurement of the pension liability results in additional entries on the balance sheet

# New Pronouncement GASB 68



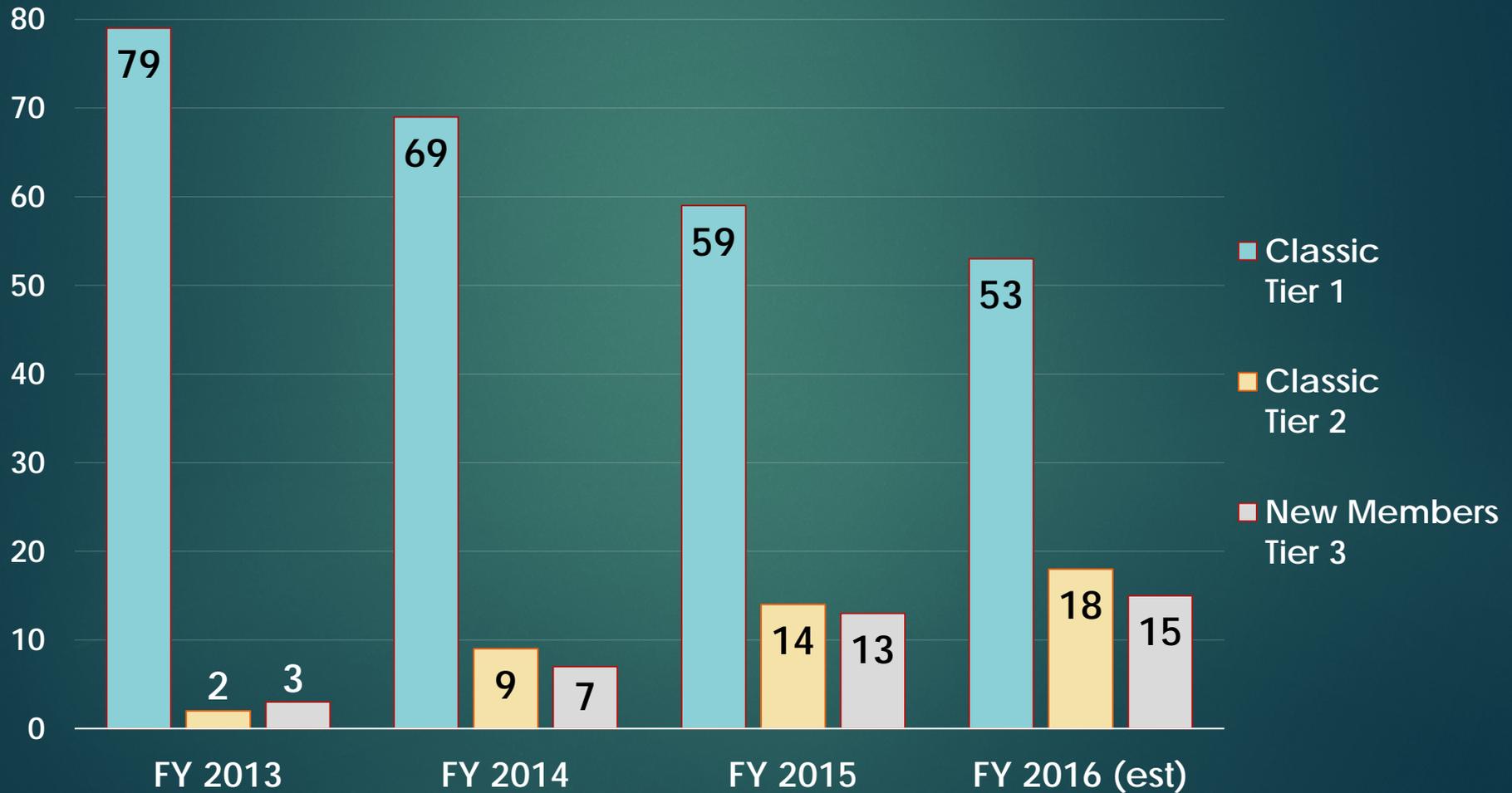
- ▶ Actuarial valuations will be prepared each year
- ▶ Trend analysis for the City's contributions and **net pension liability** is now required to be included in the financial statement
  - Ultimately the entries will result in a 10-year schedule included in the financial statement

# CalPERS Retirement Tiers



	<b>CLASSIC Tier 1</b>	<b>CLASSIC Tier 2</b>	<b>New Members Tier 3</b>
<b>Hire Date</b>	Prior to January 1, 2013	Prior to October 2, 2012	On or after January 1, 2013
<b>Formula</b>	2.5% at 55	2.0% at 60	2.0% at 62
<b>Benefit Vesting Schedule</b>	5 years of service		
<b>Benefit payment</b>	monthly for life (all Tiers)		
<b>Monthly benefits as a % of annual salary</b>	2.50%	2.00%	2.00%
<b>Required EMPLOYEE contribution rates</b>	8.00%	7.00%	6.25%
<b>Required EMPLOYER contribution rates</b>	15.70%	8.00%	6.25%

# Employee Count per Tier FY 2013 - 2016





# Contributions to CalPERS 2015

Contribution Source	CLASSIC Tier 1	CLASSIC Tier 2	New Members Tier 3	TOTAL
CITY CONTRIBUTIONS	\$600,462	\$74,967	\$44,727	<b>\$720,156</b>
EMPLOYEE CONTRIBUTIONS	\$305,948	\$65,555	\$44,727	<b>\$416,230</b>

# Actuarial Assumptions

## GASB 68



- ▶ Measurement Date June 30, 2014
- ▶ Discount Rate 7.50%
- ▶ Inflation 2.75%
- ▶ Investment rate of return 7.50%
- ▶ Mortality Rate is now derived from CalPERS Membership Data

# New Pronouncement GASB 68



- ▶ The net pension liability is an estimate which is subject to volatility.
- ▶ Variance below is primarily due to positive investment returns

## Net Pension Comparison

Net Pension Liability as of <b>June 30, 2014</b>	<b>\$7,807,816</b>
Net Pension Liability as of <b>June 30, 2015</b>	<b>\$5,714,320</b>



# New Pronouncement GASB 68

## SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

<b>SENSITIVITY ANALYSIS</b>			
Discount Rate	6.50%	7.50%	8.50%
(%) Variance	-1%	(assumed rate)	+1%
<b>Net Pension Liability</b>	<b>\$10,181,152</b>	<b>\$5,714,320</b>	<b>\$2,007,275</b>



# CalPERS Smoothing Policy Unfunded Accrued Liability

- ▶ New smoothing methodology to pay down unfunded liability in 20 years.
- ▶ Share of the pooled Unfunded Actuarial Liability is being allocated to individual plans.

# CalPERS Smoothing Policy Projected Contributions



Tier 1						
	Required Contribution	Projected Future Employer Contribution Rates				
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
<b>Normal Cost %</b>	10.069%	10.100%	10.100%	10.100%	10.100%	10.100%
<b>Unfunded Accrued Liability (\$)</b>	\$413,568	\$495,827	\$582,649	\$674,235	\$713,867	\$759,627



# QUESTIONS