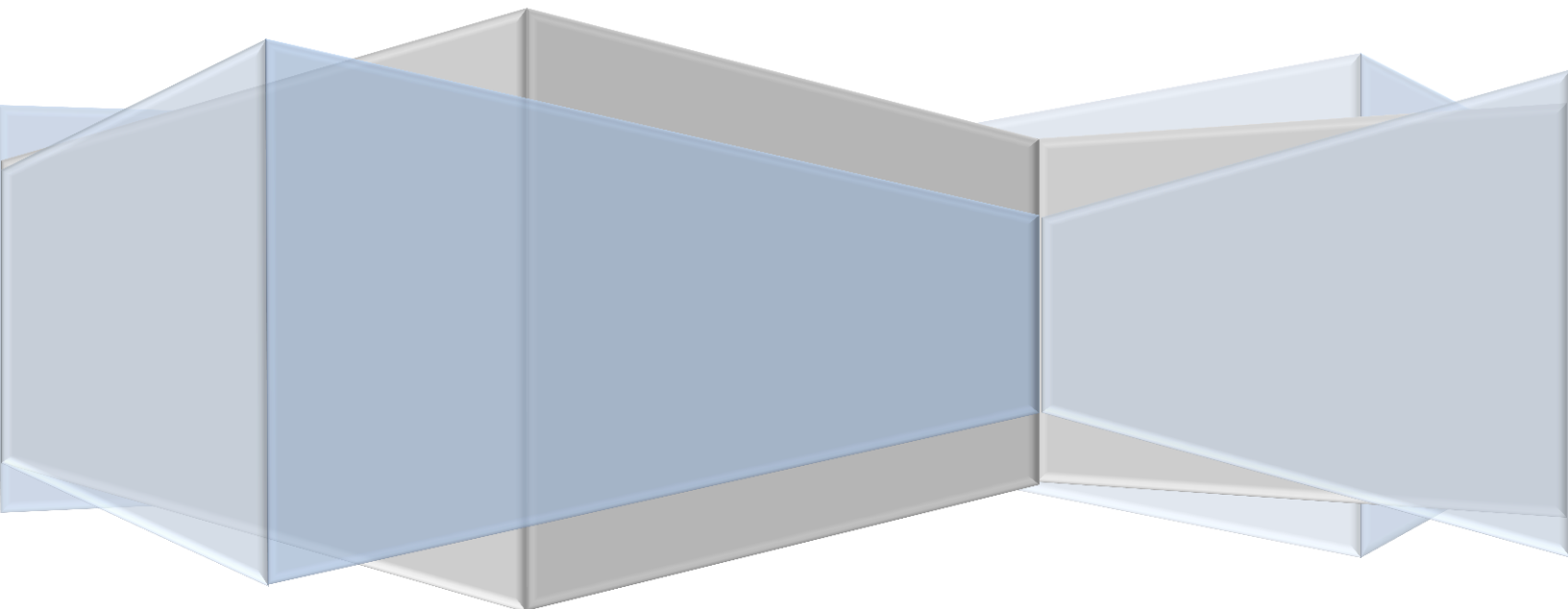




**STANISLAUS COUNTY EMPLOYEES'  
RETIREMENT ASSOCIATION**

**Schedule of Employer Allocations and Schedule of  
Pension Amounts by Employer**

**For the Fiscal Year Ended June 30, 2014**



## TABLE OF CONTENTS

Independent Auditors Report .....	Page 2
Schedule of Employer Allocations .....	Page 4
Notes to Schedule of Employer Allocations .....	Page 4
Schedule of Pension Amounts by Employer .....	Page 6
Notes to Schedule of Pension Amounts by Employer .....	Page 7

## Independent Auditor's Report

To the Board of Retirement of the  
Stanislaus County Employees' Retirement Association  
Modesto, California

We have audited the accompanying schedule of employer allocations of the Stanislaus County Employees' Retirement Association (StanCERA), a component unit of the County of Stanislaus, as of and for the fiscal years ended June 30, 2013 and 2014, and the related notes. We have also audited the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified column totals) included in the accompanying schedule of pension amounts by employer of StanCERA as of and for the fiscal year ended June 30, 2014, and the related notes.

### *Management's Responsibility for the Schedules*

Management is responsible for the preparation and fair presentation of these schedules 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 schedules that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer, 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 schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer 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 StanCERA'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 schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer.

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

### ***Opinions***

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations as of June 30, 2013 and June 30, 2014 and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the total of all participating entities for the Stanislaus County Employees' Retirement Association as of and for the fiscal year ended June 30, 2014, in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matter***

We have audited, in accordance with standards generally accepted in the United States of America, the financial statements of the Stanislaus County Employees' Retirement Association as of and for the fiscal year ended June 30, 2014, and our report thereon dated November 6, 2014, expressed an unmodified opinion on those financial statements.

### ***Restriction on Use***

Our report is intended solely for the information and use of StanCERA's management, the Audit Committee, the Board of Retirement, StanCERA's participating employers and their auditors and is not intended to be and should not be used by anyone other than these specified parties.

*Macias Gini & O'Connell LLP*

Sacramento, California  
August 28, 2015

STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
(Pension Trust Fund for the County of Stanislaus, California)  
Schedule of Employer Allocations  
for the fiscal years ended June 30

Employer	Employer Allocations			
	2014		2013	
	Percentage	Amortization Share of Pensionable Payroll	Percentage	Amortization Share of Pensionable Payroll
Stanislaus County	88.6947%	\$ 23,213,656	88.4162%	\$ 26,690,196
City of Ceres	5.6923%	1,489,826	5.9310%	1,790,403
Stanislaus Superior Court	4.5917%	1,201,755	4.7301%	1,427,863
Stanislaus County Council of Governments	0.3973%	103,979	0.3767%	113,719
East Side Mosquito Abatement District	0.2692%	70,468	0.2277%	68,721
Salida Sanitary District	0.2051%	53,684	0.1601%	48,325
Keyes Community Services District	0.0903%	23,627	0.0926%	27,962
Hills Ferry Cemetery District	0.0594%	15,558	0.0656%	19,804
<b>Total</b>	<b>100.0000%</b>	<b>\$ 26,172,553</b>	<b>100.0000%</b>	<b>\$ 30,186,993</b>

The accompanying notes are an integral part of these schedules.

### Notes to Schedule of Employer Allocations

#### *Description of System and Applicable Provisions of the Law*

The Stanislaus County Employees' Retirement Association (StanCERA) is an integrated public employee retirement system established under and subject to the legislative authority of the State of California as enacted and amended in the County Employees Retirement Law of 1937 (Chapter 677 Statutes of 1937) and the Public Employees' Pension Reform Act. It is a cost sharing multiple employer pension plan. StanCERA was established by the Board of Supervisors on July 1, 1948, and was integrated with Social Security on January 1, 1956. StanCERA provides for retirement, disability, death, beneficiary, cost-of-living, and ad-hoc retirement benefits.

#### *Summary of Significant Accounting Policies*

The above schedule includes the allocations for each contributing employer, reflecting a methodology that allocates the Net Pension Liability and other Pension Amounts based on each employer's share of the Unfunded Liability amortization payments, with separate amortization rates for General and Safety employees. Each employer's amortization share as of June 30, 2014 and June 30, 2013 is determined by multiplying the actual pensionable payroll reported to StanCERA by contributing employers for the respective fiscal year by the employer's amortization rate from the most recent actuarial valuation report (the report as of June 30, 2013 and June 30, 2012 respectively).

### *Basis of Accounting*

Pensionable payroll for employers contributing to StanCERA are reported on an accrual basis of accounting, and related contributions are recognized when received or due pursuant to legal requirements.

### *Contribution Rates*

StanCERA's policy for contributions states that actuarially determined rates expressed as a percentage of employee pensionable wages are required to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded liability. Employee pensionable wages are the basis for determining both plan member and employer contributions which are reported in StanCERA's basic financial statements and are the basis for the allocation calculation.

### *Use of Estimates in the Preparation of the Schedule*

The preparation of this schedule in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect certain amounts and disclosures. Actual results could differ from those estimates.

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**(Pension Trust Fund of the County of Stanislaus, California)**  
Schedule of Pension Amounts by Employer  
As of and for the fiscal year ended June 30, 2014

**Deferred Outflows of Resources**

Employer	Net Pension Liability	Differences Between Expected and Actual Experience	Changes of Assumptions	Net Difference Between Projected and Actual Earnings on Pension Plan Investments	Changes in Proportionate Share	Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources
Stanislaus County	\$ 206,718,504	\$ -	\$ -	\$ -	\$ 848,318	\$ -	\$ 848,318
City of Ceres	13,266,900	-	-	-	-	231,598	231,598
Stanislaus Superior Court	10,701,760	-	-	-	-	-	-
Stanislaus County Council of Governments	925,977	-	-	-	62,748	-	62,748
East Side Mosquito Abatement District	627,418	-	-	-	126,410	-	126,410
Salida Sanitary District	478,021	-	-	-	137,072	-	137,072
Keyes Community Services District	210,460	-	-	-	-	2,870	2,870
Hills Ferry Cemetery District	138,442	-	-	-	-	-	-
<b>Total for All Employers</b>	<b>\$ 233,067,482</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,174,548</b>	<b>\$ 234,468</b>	<b>\$ 1,409,016</b>

**Deferred Inflows of Resources**

Employer	Differences Between Expected and Actual Experience	Changes in Assumptions	Net Difference Between Projected and Actual Earnings on Pension Plan Investments	Changes in Proportionate Share	Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources
Stanislaus County	\$ -	\$ -	\$ 110,870,546	\$ -	\$ 131,278	\$ 111,001,824
City of Ceres	-	-	7,115,514	727,086	-	7,842,600
Stanislaus Superior Court	-	-	5,739,737	421,570	89,094	6,250,401
Stanislaus County Council of Governments	-	-	496,635	-	8,646	505,281
East Side Mosquito Abatement District	-	-	336,507	-	3,057	339,564
Salida Sanitary District	-	-	256,380	-	1,867	258,247
Keyes Community Services District	-	-	112,877	7,006	-	119,883
Hills Ferry Cemetery District	-	-	74,252	18,886	526	93,664
<b>Total for All Employers</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 125,002,448</b>	<b>\$ 1,174,548</b>	<b>\$ 234,468</b>	<b>\$ 126,411,464</b>

**Pension Expense**

Employer	Proportionate Share of Plan Pension Expense	Changes in Proportionate Share	Differences Between Employer Contributions and Proportionate Share of Contributions	Total Pension Expense
Stanislaus County	\$ 21,358,822	\$ 212,078	\$ (32,819)	\$ 21,538,081
City of Ceres	1,370,779	(181,771)	57,899	1,246,907
Stanislaus Superior Court	1,105,740	(105,392)	(22,274)	978,074
Stanislaus County Council of Governments	95,675	15,687	(2,161)	109,201
East Side Mosquito Abatement District	64,827	31,602	(764)	95,665
Salida Sanitary District	49,391	34,268	(466)	83,193
Keyes Community Services District	21,745	(1,751)	717	20,711
Hills Ferry Cemetery District	14,304	(4,721)	(132)	9,451
<b>Total for All Employers</b>	<b>\$ 24,081,283</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 24,081,283</b>

The accompanying notes are an integral part of these schedules.

NOTES TO THE SCHEDULE OF PENSION AMOUNTS BY EMPLOYER

*Summary of Significant Policies*

The Total Pension Liability as of the valuation date includes the liability associated with the \$5,000 lump sum death benefit, which was not included in the original valuation. Measurements as of the reporting date are based on the fair value of assets (fiduciary net position) as of June 30, 2014 and the Total Pension Liability as of the valuation date, June 30, 2013, using update procedures to roll forward to StanCERA's fiscal year end of June 30, 2014. The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2009 through June 30, 2012. There were no significant events between the valuation date and the measurement date, so the roll forward procedures only included the addition of service cost and interest offset by actual benefit payments.

The components of the Net Pension Liability of StanCERA at June 30, 2014, were as follows:

	<u>FYE June 30, 2014</u>	<u>FYE June 30, 2013</u>
Total Pension Liability	\$ 2,024,376,761	\$ 1,925,565,638
Plan Fiduciary Net Position	<u>(1,791,309,279)</u>	<u>(1,544,812,995)</u>
Net Pension Liability	<u>\$ 233,067,482</u>	<u>\$ 380,752,643</u>

Fiduciary Net Position as a percentage of the Total Pension Liability	88.5%	80.2%
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*Actuarial Assumptions*

The Total Pension Liability was determined based on the June 30, 2013 actuarial valuation rolled forward to June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

**ACTUARIAL VALUATION ASSUMPTIONS**

	June 30, 2013
Investment Rate of Return	7.75%
Projected Salary Increases	3.50%, plus service-based rates
Attributed to Inflation	3.25%
Cost-of-Living Adjustments	100% of CPI to 3.0% annually with banking, 2.7% annual increases assumed



### *Actuarial Assumptions - continued*

Post-retirement mortality rates were based on the RP2000 Combined tables projected to the year 2020 with adjustments for mortality improvements based on Society of Actuaries Scale AA.

For pre-retirement mortality, withdrawal rates, disability rates and service retirement rates, the rates vary by age, gender and classification.

The long-term defined benefit pension plan return expectations were determined using a building-block approach. An inflation forecast is the baseline and various real return premiums (e.g. bonds, equities, etc.) are added to create nominal return expectations for each asset class. These expectations are combined to produce the long-term expected rate of return by weighting the expected nominal rates of return by the target asset allocation percentages and including an expected return from rebalancing uncorrelated asset classes. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2014 and June 30, 2013 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equities	
US Large Cap	5.30%
US Small Cap	5.60%
International Equities	
Int'l Development	5.60%
Emerging Market Equity	6.40%
US Fixed Income	0.70%
Real Estate Securities	3.90%
Direct Lending	5.60%
Infrastructure	3.70%
Cash	-0.70%

### *Discount Rate*

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### *Basis of Accounting*

The net pension liability, pension expense, deferred outflows of resources, and deferred inflows of resources are recognized on a full accrual basis of accounting.

### *Amortization of Deferred Outflows and Deferred Inflows of Resources*

The difference between expected and actual investment earnings on pension plan investments is amortized over 5 years on a straight line basis. One-fifth was recognized in pension expense during the measurement period and the remaining difference between expected and actual investment earnings on pension plan investments at June 30, 2014 is to be amortized over the remaining 4 year period.

The difference between employer contributions and proportionate share of contributions and the recognition of changes in proportion are recognized over the average of the expected remaining service lives of all employees that are provided with pensions through the Plan determined as of June 30, 2013 (the beginning of the measurement period ending June 30, 2014) which is 5 years.

### *Use of Estimates in the Preparation of the Schedule*

The preparation of this schedule in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect certain amounts and disclosures. Actual results could differ from those estimates.

### *Additional Financial and Actuarial Information*

The components of the schedule associated with pension expense and deferred outflows and inflows of resources have been determined based on the net increase in fiduciary net position for the Stanislaus County Employees' Retirement Association as shown in the Stanislaus County Employees' Retirement Association Statement of Changes in Fiduciary Net Position and in accordance with requirements promulgated by the Government Accounting Standards Board Statements 67 and 68. The net pension liability at June 30, 2014 is reported in the Notes to Stanislaus County Employees' Retirement Association Basic Financial Statements and Required Supplementary Information following the Notes. Additional financial and actuarial information required for GASB Statement No. 68 disclosures is located in StanCERA's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014, and the StanCERA GASB 67/68 Report, which can be found at [www.stancera.org](http://www.stancera.org).