



**Delaware Public Employees'
Retirement System
County & Municipal Police and
Firefighters' Pension Plan**

Schedule of Employer Allocations and
Schedule of Pension Amounts by Employer
June 30, 2016

Issuance Date: June 6, 2017

**Delaware Public Employees' Retirement System
County & Municipal Police and Firefighters' Pension Plan**

Contents

Independent Auditor's Report	3-4
Schedule of Employer Allocations	5
Schedule of Pension Amounts by Employer	6
Notes to Schedule of Employer Allocations and Schedule of Pension Amounts by Employer	7-12
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Schedules Performed in Accordance with <i>Government Auditing Standards</i>	13-14



Tel: 302-656-5500
Fax: 302-656-8024
www.bdo.com

4250 Lancaster Pike, Suite 120
Wilmington, DE 19805

Independent Auditor's Report

The Members of the Board of Pension Trustees
Delaware Public Employees' Retirement System
Dover, DE

Report on the Schedules

We have audited the accompanying schedule of employer allocations of the County & Municipal Police and Firefighters' Pension Plan as of and for the year ended June 30, 2016, and 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 excluding that attributable to employer-paid member contributions (specified column totals) included in the accompanying schedule of pension amounts by employer of the County & Municipal Police and Firefighters' Pension Plans as of and for the year ended June 30, 2016, 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 U.S. generally accepted accounting principles; 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 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 schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer are free from material misstatements.

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 auditors' judgement, 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 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 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 and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions for the total of all participating entities for the County & Municipal Police and Firefighters' Pension Plan as of and for the year ended June 30, 2016 in accordance with U.S. generally accepted accounting principles.

Other Matters

We have audited, 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, the financial statements of the Delaware Public Employees' Retirement System, which include the County and Municipal Police and Firefighters' Pension Plan, as of and for the year ended June 30, 2016, and our report thereon, dated November 21, 2016, expressed an unmodified opinion on those financial statements.

Restriction on Use

Our report is intended solely for the information and use of Delaware Public Employees' Retirement System management, the Board of Pension Trustees, County & Municipal Police and Firefighters' Pension Plan employers, and their auditors, and is not to be and should not be used by anyone other than these specified parties.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2017 on our consideration of the County & Municipal Police and Firefighters' Pension 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 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 County & Municipal Police and Firefighters' Pension Plan's internal control over financial reporting and compliance.

BDO USA, LLP

May 26, 2017

Delaware Public Employees' Retirement System
County & Municipal Police and Firefighters' Pension Plan
Schedule of Employer Allocations
As of and for the year ended June 30, 2016

Employer	Employer contributions	Employer's proportionate share
Bethany Beach	\$ 84,246	0.8349 %
Blades	12,460	0.1235
Bridgeville	44,143	0.4375
Camden	57,690	0.5717
Cheswold	18,099	0.1794
Clayton	66,149	0.6556
Dagsboro	24,257	0.2404
Delmar Police	82,711	0.8197
Dewey Beach	60,724	0.6018
Dover	908,559	9.0042
Elsmere Police	61,268	0.6072
Felton Police	25,428	0.2520
Fenwick Island	45,591	0.4518
Georgetown	148,928	1.4759
Greenwood	22,905	0.2270
Harrington Police	75,095	0.7442
Laurel Police	90,101	0.8929
Lewes Police	88,240	0.8745
Middletown Police	278,274	2.7578
Milford	240,395	2.3824
Millsboro	85,446	0.8468
Milton	42,809	0.4243
New Castle City	134,322	1.3312
New Castle County Police	3,365,308	33.3516
Newport	73,481	0.7282
Ocean View	56,529	0.5602
Rehoboth Beach Police	157,610	1.5620
Seaford Police	205,355	2.0352
Selbyville Police	40,939	0.4057
Smyrna Police	100,427	0.9953
South Bethany	50,926	0.5047
Wilmington Pol/FF	3,322,707	32.9294
Wyoming	19,270	0.1910
Total	\$10,090,392	100 %

See accompanying notes to Schedule of Employer Allocations and Schedule of Pension Amounts by Employer.

Delaware Public Employees' Retirement System County & Municipal Police and Firefighters' Pension Plan Schedule of Pension Amounts by Employer As of and for the year ended June 30, 2016

Employer	Deferred outflows of resources					Deferred inflows of resources					Pension expense excluding that attributable to employer-paid member contributions				
	Net Pension Liability	Differences between expected and actual experience	Changes of assumptions	Net Difference between projected and actual investment earnings on pension plan investments		Total deferred outflows of resources	Differences between expected and actual experience	Changes of assumptions	Net difference between projected and actual investment earnings on pension plan investments		Total deferred inflows of resources	Proportionate share of allocated pension expense	Employer's share of pension expense related to specific liabilities	Net amortization of deferred amounts from changes in proportion	Total pension expense excluding that attributable to employer paid member contributions
				Changes in proportion	Changes in investment				Changes in proportion	Changes in investment					
Bethany Beach	\$ 132,715	22,460	-	137,268	1,562	161,480	22,403	34,891	-	6,896	64,390	129,639	(39,234)	(678)	89,727
Blades	19,628	3,351	-	20,300	-	23,661	3,343	5,160	-	5,094	13,597	19,173	(5,803)	(620)	12,750
Bridgetown	69,540	11,873	-	71,920	1,434	85,227	11,843	18,282	-	1,757	67,928	67,928	(20,557)	(26)	47,345
Camden	90,882	15,517	-	93,993	682	110,192	15,478	23,893	-	11,256	50,627	88,776	(26,867)	(1,318)	60,591
Cheswold	28,511	4,868	-	29,487	3,555	37,910	4,856	7,496	-	12,352	27,850	27,850	(8,429)	430	19,851
Clayton	104,207	17,792	-	107,774	37	125,603	17,747	27,396	-	1,307	46,450	101,791	(30,806)	(143)	70,842
Dagsboro	38,213	6,524	-	39,521	1,825	47,870	6,508	10,046	-	16,554	37,327	37,327	(11,297)	208	26,238
Delmar Police	130,297	22,247	-	134,757	636	157,640	22,191	34,256	-	67,868	127,276	127,276	(38,519)	(1,304)	87,453
Dewey Beach	95,661	16,333	-	98,935	1,389	116,657	16,292	25,150	-	4,799	93,443	93,443	(28,279)	(394)	64,770
Dover	1,431,281	244,375	-	1,480,279	15,679	1,740,333	243,760	376,291	-	85,597	1,398,104	1,398,104	(423,119)	(8,612)	966,373
Elkmer Police	40,058	16,479	-	99,822	1,690	117,991	16,438	25,375	-	5,485	94,280	94,280	(28,533)	(1,021)	64,726
Felton Police	71,820	12,263	-	74,279	2,529	87,022	6,822	10,531	-	5,555	39,129	39,129	(11,842)	(400)	26,887
Fenwick Island	234,611	40,057	-	242,642	12,538	295,237	39,956	61,680	-	2,827	104,463	229,173	(69,356)	1,141	160,958
Georgetown	36,084	6,161	-	37,319	1,071	44,551	6,145	9,487	-	15,632	35,247	35,247	(10,667)	126	24,706
Harrington Police	118,300	20,198	-	122,350	2,163	144,711	20,148	31,102	-	8	115,258	115,258	(34,972)	245	80,831
Laurel Police	141,939	24,234	-	146,798	3,450	174,482	24,173	37,317	-	2,139	63,629	138,649	(41,960)	194	96,883
Lewes Police	139,007	23,734	-	143,766	976	168,476	23,674	36,546	-	4,021	64,241	135,785	(41,094)	94,347	
Middletown Police	438,374	74,847	-	453,381	2,818	531,046	74,659	115,251	-	25,667	215,577	428,213	(129,593)	(2,896)	295,724
Milford	378,701	64,659	-	391,666	-	456,325	64,496	99,562	-	28,908	192,966	369,923	(111,953)	(3,529)	254,441
Millsboro	134,606	22,982	-	139,214	2,729	164,925	22,924	35,388	-	6,116	64,428	131,485	(39,792)	(338)	91,355
Milton	67,438	11,514	-	69,747	-	81,261	11,485	17,730	-	9,832	50,845	65,875	(19,936)	(2,643)	43,296
New Castle City	211,602	36,129	-	218,846	56,198	311,173	36,038	55,631	-	21,630	101,501	206,697	(62,554)	5,885	150,028
New Castle County Police	5,301,474	905,165	-	5,482,964	92,667	6,480,786	902,887	1,393,784	-	9,832	101,501	2,296,671	(1,567,235)	10,746	3,622,099
Newport	115,756	19,764	-	119,719	1,021	140,504	19,714	30,433	-	4,524	54,671	113,073	(34,220)	(430)	78,423
Ocean View	89,053	15,205	-	92,101	4,191	111,497	15,166	23,412	-	2,198	40,776	86,988	(26,326)	250	60,912
Rehoboth Beach Police	248,287	42,392	-	256,787	4,075	303,254	42,285	65,276	-	-	107,561	242,532	(73,399)	453	169,586
Seaford Police	323,502	55,234	-	334,577	73,095	462,906	55,095	85,050	-	80,629	220,774	316,003	(95,634)	(844)	219,525
Selbyville Police	64,492	11,011	-	66,700	-	77,711	10,984	16,955	-	7,323	35,262	62,997	(19,065)	(866)	43,066
Smyrna Police	158,206	27,012	-	163,622	25,890	216,524	26,944	41,593	-	11,053	79,590	154,539	4,652,359	1,596	4,808,494
South Bethany	80,226	13,696	-	82,972	2,427	99,095	13,662	21,092	-	45,767	80,521	78,366	(23,717)	(4,816)	49,833
Wilmington Pol/FF	5,234,363	893,707	-	5,413,556	81,560	6,388,823	891,457	1,376,140	-	-	2,267,597	5,113,032	(1,547,395)	10,194	3,575,831
Wyoming	30,357	5,184	-	31,396	1,180	37,160	5,170	7,981	-	-	13,151	29,652	(8,974)	140	20,818
Total	\$ 15,895,709	2,714,006	-	16,439,877	399,537	19,553,420	2,707,175	4,179,059	-	399,537	7,285,771	15,527,247	-	-	15,527,247

See accompanying notes to Schedule of Employer Allocations and Schedule of Pension Amounts by Employer.

Delaware Public Employees' Retirement System
County & Municipal Police and Firefighters' Pension Plan
Notes to Schedule of Employer Allocations and Schedule of Pension Amounts by Employer

1. Plan Description

The County & Municipal Police and Firefighters' Pension Plan (the Plan) is a cost sharing multiple-employer defined-benefit pension plan established in the Delaware Code. The Plan is administered by the Delaware Public Employees' Retirement System (DPERS).

The General Assembly is responsible for setting benefits and contributions and amending plan provisions; administrative rules and regulations are adopted and maintained by the Board of Pension Trustees (the Board).

The management of the Plan is the responsibility of the Board. The Board is comprised of five members appointed by the Governor and confirmed by the State Senate, plus two ex-officio members. The daily operation is the responsibility of the Office of Pensions. Although most of the assets of the Plan are commingled with other Plans for investment purposes, the Plan's assets may be used only for the payment of benefits to the members of the Plan in accordance with the terms of the Plan.

The following are brief descriptions of the Plan in effect as of June 30, 2016. For a more complete description, please refer to the DPERS Comprehensive Annual Financial Report.

Separately issued financial statements for DPERS are available from the pension office at:

McArdle Building, Suite 1
860 Silver Lake Blvd.
Dover, DE 19904

(a) Plan Description and Eligibility

The plan covers police officers and firefighters employed by a county or municipality of the State that have joined the Plan.

(b) Service Benefits

2.5% of final average monthly compensation multiplied by years of credited service up to 20 years, plus 3.5% of final average monthly compensation multiplied by years of service in excess of 20 years. For this plan, final average monthly compensation is the monthly average of the highest three consecutive years of compensation.

(c) Vesting

Five years of credited service.

(d) Retirement

Age 62 with 5 years of service; age plus credited service (but not less than 10 years) equals 75; or 20 years of credited service.

Delaware Public Employees' Retirement System
County & Municipal Police and Firefighters' Pension Plan
Notes to Schedule of Employer Allocations and Schedule of Pension Amounts by Employer

(e) Disability benefits

Duty - Total Disability

75% of final average compensation plus 10% for each dependent not to exceed 25% for all dependents.

Duty - Partial Disability

Calculated the same as Service Benefits, subject to minimum 50% of final average compensation.

Non-Duty

Same as Service Benefits, total disability subject to a minimum 50% of final average monthly compensation plus 5% of each dependent not to exceed 20% for all dependents. Partial disability to a minimum of 30% of final average monthly compensation.

(f) Survivor Benefits

If employee is receiving a pension, then eligible survivor receives 50% of pension; if employee is active, eligible survivor receives 50% of pension the employee would have received at age 62. If the member is killed in the line of duty, the eligible survivor receives 75% of the member's compensation.

2. Basis of Presentation

The Schedules of Employer Allocations and Pension Amounts by Employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of DPERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of DPERS or the participating employers. The accompanying schedules have been prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). Such preparation requires management of the Plan to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from estimates.

3. Allocation Methodology

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in the Plan to recognize their proportionate share of the collective net pension liability, collective deferred inflows of resources, collective deferred outflows of resources and collective pension expense. The employer allocation percentages presented in the Schedule of Employer Allocations and applied to amounts presented in the Schedule of Pension Amounts by Employer are based on the ratio of each employer's contribution to the Plan's total employer contributions during the measurement period July 1, 2015 through June 30, 2016, adjusted to remove contributions to separately finance specific liabilities of an individual employer. Employer contributions to the plan are recognized when due pursuant to legal requirements. Employer contributions are determined

Delaware Public Employees' Retirement System
County & Municipal Police and Firefighters' Pension Plan
Notes to Schedule of Employer Allocations and Schedule of Pension Amounts by Employer

by the Board of Pension Trustees, Employer contributions were 13.9% of earnings for the Fiscal Year 2016.

4. Collective Net Pension Liability and Actuarial Information

The components of the collective net pension liability of the participating employers at June 30, 2016 were as follows (in thousands):

Employers' total pension liability	\$ 300,194
Plan net position	284,298
Employers' net pension liability	\$ 15,896

Actuarial Assumptions

The collective total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of June 30, 2015, with update procedures used to roll forward the total pension liability to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

Actuarial assumptions:

Investment rate of return / discount rate (1)	7.2%
Projected salary increases (1)	2.5% + Merit
Cost of living adjustments	0.0%

(1) Inflation is included at 2.5%.

The total pension liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior in future years. The assumptions used were based on the results of an actuarial experience study conducted in 2016, details of which are provided in the presentation of that study to the Board of Trustees. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates the larger the impact on future financial statements.

Key assumption changes include a reduction in the inflation assumption from 3.0% to 2.5% and a change to use updated mortality tables. Mortality assumptions are based on the RP-2014 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on MP-2015 mortality improvement scale on a fully generational basis.

Projected benefit payments do not include the effects of projected ad hoc cost of living adjustments (ad hoc COLAs) as they are not substantively automatic. The primary considerations relevant to making this determination include the historical pattern of granting the changes and the consistency in the amounts of the changes.

The long term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by an asset allocation percentage, which is based on the nature and mix

Delaware Public Employees' Retirement System
County & Municipal Police and Firefighters' Pension Plan
Notes to Schedule of Employer Allocations and Schedule of Pension Amounts by Employer

of current and expected plan investments, and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Plan's current and expected asset allocation are summarized in the following table:

Asset Class	Long-term expected real rate of return	Asset allocation
Domestic equity	5.7%	34.0%
International equity	5.7	14.7
Fixed income	2.0	25.0
Alternative investments	7.8	20.9
Cash and equivalents	-	5.4

Discount Rate

The discount rate used to measure the total pension liability was 7.2%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the pension plans' 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.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability, calculated using the discount rate of 7.2%, as well as what the collective net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate (in thousands):

	1% Decrease	Discount Rate	1% Increase
Collective net pension liability (asset)	\$ 63,237	15,896	(22,686)

(Remainder of page intentionally left blank)

Delaware Public Employees' Retirement System
County & Municipal Police and Firefighters' Pension Plan
Notes to Schedule of Employer Allocations and Schedule of Pension Amounts by Employer

5. Collective Deferred Outflows of Resources and Deferred Inflows of Resources

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ended June 30, 2016:

	Measurement period ending June 30	Amortization Period	Beginning of year balance	Additions	Deductions	End of year balance
Deferred Outflows of Resources:						
Difference between expected and actual experience	2016	10 years	\$ -	\$ 3,015,564	\$ (301,558)	\$ 2,714,006
Net difference between projected and actual earnings on pension plan investments	2016 2015 2014	5 years 5 years 5 years	- 7,351,705 (12,504,357)	24,077,923 - -	(4,815,586) (1,837,927) 4,168,119	19,262,337 5,513,778 (8,336,238)
Subtotal			(5,152,652)	24,077,923	(2,485,394)	16,439,877
Total			\$ (5,152,652)	\$ 27,093,487	\$ (2,786,952)	\$ 19,153,883
Deferred Inflows of Resources:						
Difference between expected and actual experience	2015	11 years	\$ (3,007,973)	\$ -	\$ 300,798	\$ (2,707,175)
Changes of assumptions	2016	10 years	-	(4,643,399)	464,340	(4,179,059)
Total			\$ (3,007,973)	\$ (4,643,399)	\$ 765,138	\$ (6,886,234)

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows (in thousands):

Year ending June 30

2017	\$ 2,022
2018	2,022
2019	6,190
2020	4,352
2021	(464)
Thereafter	(1,854)
Total	\$ 12,268

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 10 years for the 2016 amounts.

Delaware Public Employees' Retirement System
County & Municipal Police and Firefighters' Pension Plan
Notes to Schedule of Employer Allocations and Schedule of Pension Amounts by Employer

6. Collective Pension Expense

The components of collective pension expense for the year ending June 30, 2016 (excluding that attributable to employer-paid member contributions) are as follows (in thousands):

Service cost	\$	14,174
Interest on total pension liability		20,330
Member contributions		(5,328)
Administrative expense		135
Changes in benefit terms		4,391
Projected earnings on plan investments		(20,197)
Recognition of deferred outflows and inflows of resources:		
Difference between projected and actual earnings on plan investments		2,485
Difference between expected and actual experiences with regards to factors or other inputs in the measurement of total pension liability		1
Changes in assumptions with regards to factors or other inputs in the measurement of total pension liability		(464)
Pension Expense	\$	15,527



Tel: 302-656-5500
Fax: 302-656-8024
www.bdo.com

4250 Lancaster Pike, Suite 120
Wilmington, DE 19805

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Schedules Performed in Accordance with *Government Auditing Standards*

Members of the Board of Pension Trustees
Delaware Public Employees' Retirement System
Dover, DE

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 schedule of employer allocations and 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 excluding that attributable to employer-paid member contributions as of and for the year ended June 30, 2016 (specified column totals), included in the schedule of pension amounts by employer of the Delaware Public Employees' Retirement System - County & Municipal Police and Firefighters' Pension Plan (the Plan) and the related notes (hereafter collectively referred to as the Schedules) and have issued our report thereon dated May 26, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the Schedules, 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 opinion on the Schedules, 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Schedules 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 Schedules 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 the Schedules 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*.

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 Plan'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 Plan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

May 26, 2017