CITY HALL
1015 ELEVENTH AVENUE
POST OFFICE BOX 3010

DELANO, CALIFORNIA 93216-3010
(661) 721-3300 (661) 721-3317 TDD
(661) 721-3312 Fax (City Manager) (661) 721-3314 Fax (Finance)
www.cityofdelano.org

Final

January 21, 2010

Brown Armstrong Accountancy Corporation

We are providing this letter in connection with your audit of the financial statements of the City of Delano Employees Pension Plan (the Plan) as of June 30, 2009, and for the year then ended. We understand that your audit was made for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the Plan net assets and changes in net assets of the Plan in conformity with U.S. generally accepted accounting principles.

We are responsible for the fair presentation in the Plan's financial statements of net assets and changes in net assets in conformity with U.S. generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of January 21, 2010, the following representations made to you during your audit.

1) The financial statements and related footnotes are fairly presented in conformity with U.S. generally accepted accounting principles, and the notes include all disclosures required by laws and regulations to which the plan is subject.

2) We have made available to you all—

   a) Financial records and related data.

   b) All minutes of the meetings of the Plan for the period from July 1, 2008 to January 21, 2010 or summaries of actions of recent meetings for which minutes have not yet been prepared.

   c) Plan instruments, trust agreements, insurance contracts, or investment contracts and amendments to such documents entered into during the year, including amendments to comply with applicable laws.

   d) Actuarial reports prepared for the plan during the year.

3) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices, that could have a material effect on the financial statements in the event of noncompliance.

4) We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.

5) We have no knowledge of any fraud or suspected fraud affecting the plan involving—

   a) Management,

   b) Employees who have significant roles in internal control, or

   c) Others where the fraud could have a material effect on the financial statements.

6) We have no knowledge of any allegations of fraud or suspected fraud affecting the plan received in communications from employees, former employees, participants, regulators, beneficiaries, service providers, third-party administrators, or others.

7) We have no—

   a) Plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

   b) Intentions to terminate the plan.

8) The following have been properly recorded or disclosed in the financial statements:

   a) Related-party transactions.

   b) Guarantees whether written or oral under which the plan is contingently liable to a bank or other lending institution.

   c) All significant estimates and material concentrations known to management that are to be disclosed in accordance with AICPA *Statement of Position 94-6, Disclosure of Certain Significant Risks and Uncertainties*. We understand that the significant estimates covered by this disclosure are estimates at the date of the statement of net assets that are reasonably possible of changing materially within the next year. Concentrations refer to the nature and type of investments held by the plan, or markets for which events could occur which would significantly disrupt normal finances within the next year.

   d) Amendments to the plan instrument, if any.

9) There are no—

   a) Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

   b) Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with *Financial Accounting Standards Board (FASB) Statement No. 5, Accounting for Contingencies.*

   c) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by *FASB Statement No. 5.*

   d) Material transactions that have not been properly recorded in the accounting records underlying the financial statements.

   e) Other matters (e.g., breach of fiduciary responsibilities, or events that may jeopardize the tax status) that legal counsel have advised us that must be disclosed.

10) There were no omissions from the participants' data provided to the plan's actuary for the purpose of determining the actuarial present value of accumulated plan benefits and other actuarially determined amounts in the financial statements

11) The plan administrator agrees with the actuarial methods and assumptions used by the actuary for funding purposes and for determining the plan's accumulated plan benefits obligations and has no knowledge or belief that such methods or assumptions are inappropriate in the circumstances. We did not give any, nor cause any, instructions to be given to the Plan's actuary with respect to values or amounts derived, and we are not aware of any matters that have impacted the independence or objectivity of the plan's actuary.

12) The following have been properly recorded or disclosed in the financial statements:

   a) The actuarial methods or assumptions used in calculating amounts recorded or disclosed in the financial statements.

   b) Plan provisions between the actuarial valuation date and the date of this letter.

13) The plan has complied with all aspects of debt and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

14) The methods and significant assumptions used to estimate fair values of financial instruments. The methods and significant assumptions used result in a measure of fair value appropriate for financial measurement and disclosure purposes.

15) Financial instruments with concentrations of credit risk have been properly recorded or disclosed in the financial statements.

16) All required filings of plan documents with the appropriate agencies have been made.

17) The plan is qualified under the appropriate section of the Internal Revenue Code and we intend to continue them as a qualified plan.

18) The plan has satisfactory title to all owned assets which are recorded at fair value, and all liens, encumbrances, or security interest requiring disclosure in the financial statements have been properly disclosed.

19) We have apprised you of all communications, whether written or oral, with regulatory agencies concerning the operation of the plan.

20) No events have occurred subsequent to the date of the plan's financial statements and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

Signature: Dale Flynn

Title: Finance Director

Date: 1/21/10

CITY OF DELANO

1015 ELEVENTH AVE. • POST OFFICE BOX 3010 • DELANO, CALIFORNIA 93216

CITY OF DELANO EMPLOYEES PENSION PLAN
(A PENSION TRUST FUND OF THE CITY OF DELANO)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

CITY OF DELANO EMPLOYEES PENSION PLAN
JUNE 30, 2009

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Richard L. Halle, CPA, MST
Aileen K. Keeter, CPA

BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

Main Office
4200 Truxtun Ave., Suite 300
Bakersfield, California 93309
Tel 661.324.4971 Fax 661.324.4997
e-mail: info@bacpas.com

560 Central Avenue
Shafter, California 93263
Tel 661.746.2145 Fax 661.746.1218

8365 N. Fresno Street, Suite 440
Fresno, California 93720
Tel 559.476.3592 Fax 559.476.3593

INDEPENDENT AUDITOR'S REPORT

To the Pension Committee and Trustees
City of Delano Employees Pension Plan
Delano, California

We have audited the accompanying statement of plan net assets of the City of Delano Employees Pension Plan (the Plan) as of June 30, 2009, and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the City's 2008 financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 financial statements referred to above present fairly, in all material respects, the plan net assets of the Plan as of June 30, 2009, and the changes in plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The schedule of funding status and progress, employer contributions, and notes to required supplementary information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. This information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Plan has not presented a management discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2010, on our consideration of the Plan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in connection with this report in considering the results of our audit.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Bakersfield, California
January 21, 2010

CITY OF DELANO EMPLOYEES PENSION PLAN
STATEMENT OF PLAN NET ASSETS
JUNE 30, 2009

ASSETS	2009	2008 (Unaudited)
Cash	$ 445,443	$ 420,977
Contributions Receivable	307,065	54,278
Prepaid Asset	115,713	-
Investments at Fair Value	14,752,286	17,952,658
Total Assets	15,620,507	18,427,913
LIABILITIES		
Accounts Payable	78	-
Other Liabilities	308,124	1,871
Total Liabilities	308,202	1,871
Net Assets Held in Trust for Pension Benefits	$ 15,312,305	$ 18,426,042

The accompanying notes are an integral part of these financial statements.

CITY OF DELANO EMPLOYEES PENSION PLAN
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

	2009	2008 (Unaudited)
ADDITIONS		
Contributions		
Employer	$ 1,662,165	$ 1,273,624
Participant	166,687	119,338
Total Contributions	1,828,852	1,392,962
Investment Income (Loss)		
Net depreciation in fair value of investments including gain/loss on investments	(3,827,028)	(1,303,771)
Interest	155,305	166,080
Sub-Total	(3,671,723)	(1,137,691)
Less: Investment management expenses	157,355	155,730
Net Investment Income (Loss)	(3,829,078)	(1,293,421)
TOTAL ADDITIONS	(2,000,226)	99,541
DEDUCTIONS		
Benefits paid to participants	902,880	767,747
Refunds of contributions	159,376	308,819
Administrative expenses	51,255	51,881
TOTAL DEDUCTIONS	1,113,511	1,128,447
Net Decrease	(3,113,737)	(1,028,906)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS		
Beginning of Year	18,426,042	19,454,948
End of Year	$ 15,312,305	$ 18,426,042

The accompanying notes are an integral part of these financial statements.

NOTE 1 – DESCRIPTION OF THE PLAN

The following description of the City of Delano Employees Pension Plan (the "Plan") provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General – The Plan was established on June 1, 1967, and is governed by City Ordinance 941 of the City of Delano's Municipal Code. The ordinance assigns authority to establish and amend the benefits provision of the Plan to the City Council. It is administered by the Pension Committee and the Trustees. The Plan is a single employer public employee retirement defined benefit plan. All full-time management, safety, and general employees of the City under 60 are eligible to participate in the Plan.

The Plan membership as of June 30, 2009 was comprised as follows:

		2009
Active Members		
Vested (active members 100% vested)	$	77
Non-vested (active members less than 100% vested)		145
Total Active Members		222
Terminated Members Entitled to but Not Yet Receiving Benefits		60
Retirees and Beneficiaries of Deceased		12
Retirees Currently Receiving Benefits		38
Total	$	332

Funding Policy – The Plan's funding policy under the City Ordinance 941 provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll together with certain fixed amounts, are sufficient to accumulate the required assets to pay benefits when due. For the year ended June 30, 2009, the annual required contribution to the Plan by the City was determined at 23.239% of covered payroll. Contributions aggregating $1,828,852 were made in fiscal year 2009, which were over the recommended rate as adopted by the City Council, which is the recommended contribution rate set equal to the greater of the current funding policy or the minimum Annual Required Contribution (ARC) as determined under GASB Statements 25 and 27. Such amounts are determined using the modified entry age normal cost method. Any variance between contributions needed and contributions made is adjusted in the following fiscal year. These minimum contributions are recognized currently in the statement of changes in net assets available for benefits. Any additional contributions by employees are funded and recognized currently through payroll deductions in amounts specified by the employee. Costs of administering the Plan are charged against Plan assets.

Funded Status and Progress- As of June 30, 2009, the most recent actuarial valuation date, the Plan was 61.32% funded. The actuarial accrued liability for benefits was $29,881,644 and the actuarial value of assets was $18,323,795, resulting in an unfunded actuarial accrued liability (UAAL) of $11,557,849. The covered payroll as of June 30, 2009 valuation was $8,128,608. The ratio of UAAL to the covered payroll was 142.19%.

NOTE 1 – <u>DESCRIPTION OF THE PLAN</u> (Continued)

Funded Status and Progress (Continued)
Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, inflation, and investment returns. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information on page 10 following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan Members) and include the types of benefits provided at the time each valuation and historical pattern of sharing of benefit costs between the employer and plan Members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in the actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The actuarial methods and significant assumptions used in the valuation year of June 30, 2009 are summarized in this note to conform to the disclosure requirements for GASB No. 50.

Valuation Date	June 30, 2009
Actuarial-Cost Method	Modified Entry Age Normal Cost
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	Actuarial gains/losses are amortized over 10 years, open.
Asset Valuation Method	Market value
Actuarial Assumptions:	
Investment Rate of Return	7.75%
Includes Inflation at	3.00%
Projected Salary Increases	3.00%
Cost of Living Adjustments	2.00%
Mortality Table	1994 Group Annuity Mortality Tables with Scale AA for mortality improvement from 1994 to 1999.
Retirement Age	Assumed average retirement age is 62; normal retirement age is 60.
Probability of Termination Within One Year	Completed Years of Service

Completed Years of Service	
0	10%
1	8
2	6
3	5
4	5
5	4
6	4
7	3
8	3
9	2.5

NOTE 1 – DESCRIPTION OF THE PLAN (Continued)

Pension Benefits – Employees are entitled to monthly retirement benefits beginning at normal retirement age (60). City employees who retire at the normal retirement age receive benefits that are partially integrated with social security and are computed by multiplying the first $833.33 average monthly compensation by 2% plus the average monthly compensation times 2.4% for amounts in excess of $833.33 by the number of years of credit service.

The Plan permits early retirement with reduced retirement benefits at any time within five years preceding the participant's normal retirement date of age 55 for safety employees including management of safety employees and age 60 (age 62 before July 1, 2007) for general employees. An early retiree would have less contributions to the Plan and would be drawing a monthly check for a longer period of time, so that the retiree would receive less benefits per month than an employee who retirees at normal retirement age.

Due to disability or retirement, a participant may elect to receive either a lump-sum amount equal to the value of the participant's interest in his/her account after termination of active service. On termination due to death, benefits to the surviving spouse, lump-sum or otherwise, will depend upon whether the retiree has reached the early retirement age at the time of death which is 55 for general members.

For termination of service due to other reasons, a participant may receive the value of the vested interest in his/her account as a lump-sum distribution.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – The Plan, with its own governing board, is an independent public employee defined benefit plan. The Plan's annual financial statements are included in the City of Delano's Annual Financial Report as a pension trust fund.

Basis of Accounting – The financial statements of the Plan are prepared under the accrual method of accounting. Investment income is recognized when it is earned and expenses are recognized when they are incurred. Contributions are recognized when due. Benefits and refunds are recognized when due and payable under the terms of the Plan.

Basis of Presentation – The financial statements of the Plan have been prepared in conformity with accounting principles generally accepted in the United States of America, as outlined by the Governmental Accounting Standards Board (GASB).

Investment Valuation and Income Recognition – The Plan's investments are stated at fair value, except for its short-term investments which are reported at cost (approximates fair value). Quoted market prices are used to value investments. Shares of mutual funds are valued at quoted market prices which represent the net asset value of shares held by the Plan at year-end.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Concentration of Market and Credit Risk – The Plan's exposure to credit loss in the event of nonperformance of its investments is limited to the carrying value of such investments. The Plan's concentration of credit risk and market risk are dictated by the Plan's investment guidelines. Investment securities are exposed to various risks, such as interest rate, market, and credit risks and the level of uncertainty related to changes in the value of investments. It is at least reasonably possible that changes in risks in the near term could materially affect the amounts reported in the statement of plan net assets and the statement of changes in plan net assets.

Administrative Expenses – Certain expenses of the Plan are paid by the Plan and are financed through its investment earnings.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid Asset – The Plan prepaid the July 2009 benefits in June 2009. Therefore, the Plan recorded a prepaid in the balance sheet as of June 30, 2009.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE 3 – CASH AND INVESTMENTS

The City of Delano Pension Plan's (the Plan) cash and investments consist of the following at June 30, 2009:

General Cash	$ 333,939
Deposits	111,504
Investments	14,752,286
Total	$ 15,197,729

Deposits

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City of Delano Pension Plan deposit policy requires deposits to be covered by federal depository insurance and collateral having a market value of 110% of the uninsured deposit. As of June 30, 2009, $0 of the Plan's bank balance of $111,503 was exposed to custodial credit risk.

Investments

As of June 30, 2009, the City of Delano Pension Plan has the following investments:

Guaranteed Fixed Income	$ 3,600,163
Certificates of Deposit	1,488,080
U.S. Treasury Bills	265,041
Annuities	599,663
Money Market Funds	1,213,374
Fixed Income	77,512
Domestic Stocks	5,926,988
International Stocks	1,581,465
	$ 14,752,286

Authorized Investments

The investments listed above are managed by the Trustees under the direction of the City of Delano Pension Committee. The Plan has not adopted a formal investment policy.

The Plan's investments are held by various agents consisting of insurance companies, financial institutions, and nationally recognized brokerage firms. The investments consist of U.S. Equities, International Equities, Bonds, Mutual Funds, and U.S. Fixed Income. The investments may be held in direct form, pooled form, or both.

Custodial Credit Risk – For an investment held in the form of securities, custodial credit risk is the risk that, in the event of a failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Plan had no custodial credit risk.

NOTE 3 – CASH AND INVESTMENTS (Continued)

Credit Risk and Interest Rate Risk – At June 30, 2009, City of Delano Pension investments subject to credit risk and interest rate risk consist of the following:

Investment Type	Amount	Maturity in Years: Less than 1	1 to 5	Over 5
Money Market Funds	$ 1,213,374	$ 1,213,374	$ -	$ -
Fixed Income	77,512	15,343	62,169	-
U.S. Treasury Bills	265,041	265,041	-	-
Guaranteed Funds	3,600,163	3,600,163	-	-
	$ 5,156,090	$ 5,093,921	$ 62,169	$ -

Investment Type	Amount	Rating as of Year End: A	AAA	BBB	Not Rated
Money Market Funds	$ 1,213,374	$ -	$ -	$ -	$ 1,213,374
Fixed Income	77,512	46,333	-	31,179	-
U.S. Treasury Bills	265,041	-	-	-	265,041
Guaranteed Funds	3,600,163	-	-	-	3,600,163
	$ 5,156,090	$ 46,333	$ -	$ 31,179	$ 5,078,578

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk can be measured by obtaining ratings issued by nationally recognized statistical rating organizations such as Standard & Poor's or, Moody's Investors service, to name a few. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater will be the sensitivity of its fair value to changes in market interest rates.

Concentration of Credit Risk – The plan is required, under GASB 40, to provide information about the concentration of credit risk associated with their investments in any one issuer that represent 5% or more of total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.

The plan places no limit on the amount the Plan may invest in any one issuer. The Plan had no investment in excess of 5% of the Plan's total investments.

NOTE 4 – CONTRIBUTIONS

Pension benefit contributions are based upon a combination of age, years of service, monthly salary, and the option selected by the participant. Death and disability benefits are additionally based upon whether the death occurred before or after retirement. Members' contributions, including interest, are 100 percent vested at all times. Each employee is credited with one year-vested service for each fiscal year. Employer contributions become 20% vested after 3 years of employment, 40% after 4 years of employment, 60% after 5 years of employment, 80% after 6 years of employment, and after 7 or more years of employment an employee is 100% vested, but are not payable until the member attains the age of 55 for general members.

NOTE 4 – CONTRIBUTIONS (Continued)

Contributions are made by the members and the employer at rates recommended by the Plan's independent actuary and adopted by the City Council. Participant contributions are mandatory as long as the employee is an eligible participant of the Plan. The City makes employer contributions after the 5th year of covered employment for all participants except management employees, the employer contributions are made immediately after being admitted to the Plan. The participant's accumulated contribution cannot be withdrawn by the participant (except for active police officers, their respective account balances were transferred to CalPERS, effective June 30. 2005) while employed by the City. The participant's contribution rates, which are a percentage of the participant's base monthly salary (excluding overtime, educational, incentive and/or longevity), are as follows:

	Contribution Rate
Management (including police management)	9.0%
Safety/Police (prior to July 1, 2005)	7.4%
General	6.2%

The City makes the above contribution on behalf of its employees based on years of service and job classification, except educational, incentive or longevity, which is not included from the participant's basic earnings. Participant accounts are credited interest earnings from the investment return of the trust fund.

In addition the City contributes a percentage of employee base monthly salary for an actuarially sound pension program based on the actuarial valuation report. Administrative costs of the Plan are financed through investment earnings.

NOTE 5 – TAX STATUS

The Internal Revenue Service has determined and informed the City of Delano by a letter dated October 13, 1992, that the Plan is designed in accordance with applicable sections of the Internal Revenue Code (IRC).

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DELANO EMPLOYEES PENSION PLAN
SCHEDULE OF FUNDING STATUS AND PROGRESS
JUNE 30, 2009

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Projected Unit Credit	(3) Funded Rates (%) (1) / (2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Annual Covered Payroll	(6) UAAL (%) (4) / (5)
6/30/04	$ 14,350,746	$ 21,702,704	66.12%	$ 7,351,958	$ 7,483,544	98.24%
6/30/05	$ 15,048,284	$ 19,633,478	76.65%	$ 4,585,194	$ 7,895,996	58.07%
6/30/06	$ 16,839,790	$ 21,484,859	78.38%	$ 4,645,069	$ 6,353,463	73.11%
6/30/07	$ 19,454,948	$ 24,767,406	78.55%	$ 5,312,458	$ 6,764,823	78.53%
6/30/08	$ 18,426,143	$ 27,169,641	67.82%	$ 8,743,498	$ 7,296,505	119.83%
6/30/09	$ 18,323,795	$ 29,881,644	61.32%	$ 11,557,849	$ 8,128,608	142.19%

CITY OF DELANO EMPLOYEES PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
JUNE 30, 2009

Fiscal Year		Annual Required Contribution	Percentage Contributed
2004	$	1,496,202	95%
2005	$	1,599,988	101%
2006	$	1,181,059	98%
2007	$	1,153,496	105%
2008	$	1,337,025	105%
2009	$	1,774,940	103%

CITY OF DELANO EMPLOYEES PENSION PLAN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2009

The information presented was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	June 30, 2009
Actuarial Cost Method	Modified entry age normal cost
Amortization Period	Level percent payroll, open
Remaining Amortization Period	10 years**
Asset Valuation Method	Market value
Actuarial Assumptions:	
Investment Rate of Return *	7.75% per annum compounded annually
Projected Salary Increases	3.00%
* Includes Inflation at	3.00%
Cost of Living Adjustments	2%
Mortality Table	1994 Group Annuity Mortality Tables with Scale AA for mortality improvement from 1994 to 1999.
Retirement Age	Assumed average retirement age is 62; normal retirement age is 60.

** Note: Effective July 1, 2009, the actuarial assumptions were changed, the remaining amortization period from 10 years to 20 using the smoothing method.

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BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

Main Office
4200 Truxtun Ave., Suite 300
Bakersfield, California 93309
Tel 661.324.4971 Fax 661.324.4997
e-mail: info@bacpas.com

560 Central Avenue
Shafter, California 93263
Tel 661.746.2145 Fax 661.746.1218

8365 N. Fresno Street, Suite 440
Fresno, California 93720
Tel 559.476.3592 Fax 559.476.3593

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Pension Committee and Trustees
Employees Pension Plan
City of Delano

We have audited the accompanying statement of plan net assets of the City of Delano Employees Pension Plan (the "Plan") as of and for the year ended June 30, 2009, and the related statements of changes in plan net assets for the year then ended, and have issued our report thereon dated January 21, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Plan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified two deficiencies in internal control over financial reporting that we consider to be control deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Plan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Plan's financial statements that is more than inconsequential will not be prevented or detected by the Plan's internal control. We considered the deficiencies described in the accompanying schedule of findings and questioned costs, summarized as Finding 1 and 2, to be control deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Plan's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe that none of the control deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free of 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 financial statement 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.

We noted certain matters that we reported to management of the Plan in a separate letter dated January 21, 2010.

The Plan management's response to the findings identified in our audit is described in the accompany schedule of findings and recommendations. We did not audit the Plan management's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Pension Committee, Trustees, Management and the City Council, and is not intended to be and should not be used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Bakersfield, California
January 21, 2010

CITY OF DELANO EMPLOYEES PENSION PLAN
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
JUNE 30, 2009

Current Year Findings

Finding 1 – Bank Reconciliations

Condition
The City does not perform bank reconciliations for the Plan's cash account. We noted transactions that had cleared in June were recorded in the general ledger in July. The result was a net adjustment to reduce cash in the amount of $52,674.

Recommendation
We recommend the City perform monthly bank reconciliations for the Plan's cash account and assign an individual independent of preparation to review the bank reconciliations.

Management Response
Bank reconciliations for the Plan's cash account have been assigned to the Senior Accountant and will be completed and reviewed on a monthly basis.

Finding 2 – Benefit Calculations

Condition
The City's third-party-administrator performs the benefit calculations for new retirees. These calculations are not reviewed by City staff.

Recommendation
We recommend the City implement procedures to perform a review of the benefit calculations prepared by the third-party administrator for all new retirees to ensure the calculations are accurate.

Management Response
Effective immediately, City staff will review all benefit calculations for new retirees to ensure accuracy.

Status of Prior Year Findings

None.

Peter C. Brown, CPA
Burton H. Armstrong, CPA, MST
Andrew J. Paulden, CPA
Steven R. Starbuck, CPA
Chris M. Thornburgh, CPA
Eric H. Xin, CPA, MBA
Richard L. Halle, CPA, MST
Aileen K. Keeter, CPA

BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

Main Office
4200 Truxtun Ave., Suite 300
Bakersfield, California 93309
Tel 661.324.4971 Fax 661.324.4997
e-mail: info@bacpas.com

560 Central Avenue
Shafter, California 93263
Tel 661.746.2145 Fax 661.746.1218

8365 N. Fresno Street, Suite 440
Fresno, California 93720
Tel 559.476.3592 Fax 559.476.3593

To the Pension Committee and Trustees
City of Delano Employees Pension Plan

We have audited the financial statements of plan net assets of the City of Delano Employees Pension Plan (the Plan) for the year ended June 30, 2009, and have issued our report thereon dated January 21, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 17, 2009. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Plan are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2009. We noted no transactions entered into by the Plan during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

> Management's estimate of the contributions amounts, which are based on actuarially-presumed interest rates and management's estimate of the fair market value of investments, which is derived by various methods as detailed in the notes to the financial statements. We evaluated the key factors and assumptions used to develop the contribution amount and fair market value of investments in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

> The disclosure of contributions and investments as described in Notes 2 and 4 to the financial statements.

Difficulties Encountered in Performing the Audit
We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements
Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached schedule summarizes audit adjustments that, in our judgment, indicate matters that could have a significant effect on the Plan's financial reporting process.

Disagreements with Management
For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations
We have requested certain representations from management that are included in the management representation letter dated January 21, 2010.

Management Consultations with Other Independent Accountants
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Plan's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Plan's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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This information is intended solely for the use of the Pension Committee, Trustees, the City Council and management of the Plan and is not intended to be and should not be used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

By: Eric H. Xin

Bakersfield, California
January 21, 2010

City of Delano Employees Pension Plan
Period Ending: 6/30/09
Material Adjusting Journal Entries Report

No. 1	**Account Number**	**Account Name**	Amount Debt	Amount Credit
	89-1120	Prepaid Assets	115,713	
	89-1105	Cash		115,713
Total			**115,713**	**115,713**

To adjust the G/L for transfers clearing the bank in June that were not recorded until July 2009.

No. 2	**Account Number**	**Account Name**	Amount Debt	Amount Credit
	89-1110	Accounts Receivable	307,065	
	89-3957	Pension Contribution-City		307,065
Total			**307,065**	**307,065**

To accrue contributions for 2009 due to an adjustment in the actuarial report that was effective in 2009 but were paid in FY-2010.

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Main Office
4200 Truxtun Ave., Suite 300
Bakersfield, California 93309
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AGREED UPON CONDITIONS REPORT DESIGNED TO INCREASE EFFICIENCY, INTERNAL CONTROLS, AND/OR FINANCIAL REPORTING

To the Pension Committee and Trustees
City of Delano Employees Pension Plan
Delano, California

We have audited the basic financial statement of the City of Delano Employees Pension Plan (the Plan) for the year ended June 30, 2009 and have issued our report thereon dated January 21, 2010. In planning and performing our audit of the financial statements of the Plan, we considered its internal controls structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

As a result of our audit, we noted one agreed upon finding. This finding and recommendation, which has been discussed with appropriate members of the Plan's management, is intended to improve the Plan's internal control structure or result in other efficiencies. Our finding and recommendation is summarized below:

Current Year Finding and Recommendation

Agreed Upon Condition 1 – Investment Pending Trades

Condition
The City does not perform a review of pending transactions during the year-end close to determine whether any security purchases/sales should be accrued.

Recommendation
We recommend the City implement procedures to perform a review of the sales and purchases of securities as part of the year-end close and accrue any transactions in which the trade date and settlement date occurred in different year-ends.

District Response
The City will be reviewing all sales/purchases of securities as part of our year-end process. Any transactions will be accrued if they occurred in different fiscal years.

Status of Prior Year Findings and Recommendations

None.

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The information is intended solely for the use of the Pension Committee, Trustees, and Plan's management and should not be used for any other purpose. However, this report is a matter of public record and its distribution is not limited.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Eric Xin

By: Eric H. Xin

Bakersfield, California
January 21, 2010

Pfx Engagement\22321\6/30/2009 Audit\FS\Agreed Upon Conditions Report