



**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, 2018

**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



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, 2018, 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, 2018, 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 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 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 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

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.



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, 2018 in accordance with accounting principles generally accepted in the United States of America.

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, 2018, and our report thereon, dated November 21, 2018, 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 29, 2019 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 29, 2019

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, 2018

Employer	Employer contributions	Employer's proportionate share
Bethany Beach	\$ 76,910	0.8109 %
Blades	14,774	0.1558
Bridgeville	38,738	0.4085
Camden	53,392	0.5630
Cheswold	19,259	0.2031
Clayton	64,152	0.6764
Dagsboro	20,287	0.2139
Delmar Police	79,565	0.8389
Dewey Beach	49,247	0.5193
Dover	798,971	8.4242
Elsmere Police	47,304	0.4988
Felton Police	21,865	0.2305
Fenwick Island	39,665	0.4182
Georgetown	136,631	1.4406
Greenwood	20,455	0.2157
Harrington Police	70,677	0.7452
Laurel Police	98,046	1.0338
Lewes Police	87,998	0.9278
Middletown Police	260,381	2.7454
Milford	217,625	2.2946
Millsboro	87,112	0.9185
Milton	45,428	0.4790
New Castle City	130,444	1.3754
New Castle County Police	3,155,878	33.2752
Newport	56,759	0.5985
Ocean View	62,290	0.6568
Rehoboth Beach Police	133,329	1.4058
Seaford Police	183,638	1.9363
Selbyville Police	43,497	0.4586
Smyrna Police	140,539	1.4818
South Bethany	43,974	0.4637
Wilmington Pol/FF	3,167,943	33.4024
Wyoming	17,414	0.1836
Total	\$ 9,484,187	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, 2018**

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	Changes in proportion	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	Changes in proportion	Total deferred inflows of resources	Proportionate share of allocated plan pension expense	Net amortization of deferred amounts from changes in proportion	Total pension expense excluding that attributable to employer paid member contributions
Bethany Beach	\$ 186,761	160,821	61,351	-	2,790	224,962	44,045	26,358	32,545	7,197	110,145	112,968	(754)	112,214
Blades	35,876	30,893	11,786	-	1,020	43,699	8,461	5,063	6,252	3,853	23,629	21,701	(500)	21,201
Bridgeville	94,069	81,003	30,902	-	3,326	115,231	22,185	13,276	16,392	4,062	55,915	56,901	(115)	56,786
Camden	129,652	111,643	42,591	-	909	155,143	30,577	18,298	22,593	9,036	80,504	78,423	(1,347)	77,076
Cheswold	46,767	40,271	15,363	-	4,185	59,819	11,029	6,600	8,150	549	26,328	28,289	527	28,816
Clayton	155,781	134,144	51,174	-	675	185,993	36,739	21,986	27,146	1,013	86,884	94,228	(66)	94,162
Dagsboro	49,262	42,420	16,183	-	1,575	60,178	11,618	6,953	8,584	907	28,062	29,798	113	29,911
Delmar Police	193,208	166,372	63,469	-	1,557	231,398	45,566	27,268	33,668	8,997	115,499	116,867	(1,226)	115,641
Dewey Beach	119,588	102,977	39,285	-	1,167	143,429	28,203	16,878	20,839	6,171	72,091	72,336	(692)	71,644
Dover	1,940,156	1,670,672	637,347	-	12,195	2,320,214	457,562	273,820	338,088	83,133	1,152,603	1,173,558	(10,776)	1,162,782
Elsmere Police	114,869	98,914	37,735	-	1,430	138,079	27,091	16,212	20,017	10,496	73,816	69,482	(1,414)	68,068
Felton Police	53,096	45,721	17,442	-	2,261	65,424	12,522	7,494	9,252	5,296	34,564	32,116	(486)	31,630
Fenwick Island	96,319	82,941	31,641	-	374	114,956	22,716	13,594	16,784	3,769	56,863	58,262	(514)	57,748
Georgetown	331,784	285,700	108,992	-	13,653	408,345	78,247	46,826	57,816	6,568	189,457	200,689	1,042	201,731
Greenwood	49,672	42,773	16,317	-	895	59,985	11,714	7,010	8,656	489	27,869	30,045	82	30,127
Harrington Police	171,625	147,787	56,379	-	2,439	206,605	40,476	24,222	29,907	616	95,221	103,813	254	104,067
Laurel Police	238,086	205,017	78,212	-	7,341	290,570	56,150	33,602	41,488	1,664	132,904	144,013	733	144,746
Lewes Police	213,686	184,006	70,197	-	3,685	257,888	50,395	30,158	37,237	3,999	121,789	129,254	(129)	129,125
Middletown Police	632,289	544,465	207,709	-	3,907	756,081	149,117	89,237	110,181	21,035	369,570	382,458	(2,928)	379,530
Milford	528,464	455,061	173,602	-	-	628,663	124,631	74,584	92,089	24,890	316,194	319,656	(3,869)	315,787
Millsboro	211,535	182,153	69,490	-	4,310	255,953	49,888	29,854	36,862	4,757	121,361	127,953	(71)	127,882
Milton	110,315	94,992	36,239	-	1,705	132,936	26,016	15,569	19,223	16,345	77,153	66,727	(2,439)	64,288
New Castle City	316,759	272,762	104,056	-	44,812	421,630	74,704	44,705	55,198	8,499	183,106	191,601	6,064	197,665
New Castle County Police	7,663,479	6,599,038	2,517,475	-	97,509	9,214,022	1,807,336	1,081,569	1,335,424	24,104	4,248,433	4,635,473	10,660	4,646,133
Newport	137,828	118,684	45,277	-	794	164,755	32,505	19,452	24,018	7,628	83,603	83,369	(920)	82,449
Ocean View	151,261	130,251	49,690	-	6,294	186,235	35,673	21,348	26,358	1,710	85,089	91,494	613	92,107
Rehoboth Beach Police	323,764	278,794	106,357	-	4,102	389,253	76,356	45,694	56,419	5,308	183,777	195,838	(107)	195,731
Seaford Police	445,931	383,993	146,490	-	40,112	570,595	105,167	62,935	77,707	48,272	294,081	269,734	(1,179)	268,555
Selbyville Police	105,624	90,953	34,698	-	2,456	128,107	24,910	14,907	18,406	6,096	64,319	63,889	(656)	63,233
Smyrna Police	341,272	293,870	112,109	-	42,317	448,296	80,485	48,165	59,470	9,700	197,820	206,428	4,571	210,999
South Bethany	106,782	91,950	35,078	-	1,888	128,916	25,183	15,070	18,608	9,735	68,596	64,590	(1,162)	63,428
Wilmington Pol/FF	7,692,777	6,624,267	2,527,099	-	102,888	9,254,254	1,814,245	1,085,704	1,340,530	69,289	4,309,768	4,653,195	6,581	4,659,776
Wyoming	42,286	36,412	13,891	-	1,054	51,357	9,973	5,968	7,369	442	23,752	25,578	110	25,688
Total	\$ 23,030,623	19,831,720	7,565,626	-	415,625	27,812,971	5,431,485	3,250,379	4,013,276	415,625	13,110,765	13,930,726	-	13,930,726

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 Plan assets are comingled with assets of other Plans and Funds 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, 2018. 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 (excluding overtime and special pay).

(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 a minimum of 50% of pension; if employee is active, eligible survivor receives 75% 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 accounting principles generally accepted in the United States of America 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 allocation percentages presented in the Schedule of Employer Allocations and the applied to the 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, 2017 through June 30, 2018, 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. The Board of Pension Trustees determines employer contributions. Employer contributions were 11.42% of earnings for the Fiscal Year 2018.

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

4. Collective Net Pension Liability and Actuarial Information

The components of the collective net pension liability of the participating employers at June 30, 2018 were as follows (in thousands):

Employers' total pension liability	\$ 390,500
Plan net position	(367,470)
Employers' net pension liability	\$ 23,030

Actuarial Assumptions

The collective total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. This actuarial valuation used the following actuarial assumptions:

Actuarial assumptions:

Investment rate of return / discount rate (1)	7.0%
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. 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.

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 as of June 30, 2018 are summarized in the following table:

Asset Class	Long-term expected real rate of return	Asset allocation
Domestic equity	5.7%	30.7%
International equity	5.7	13.9
Fixed income	2.0	23.3
Alternative investments	7.8	24.4
Cash and equivalents	-	7.7

Discount Rate

The discount rate used to measure the total pension liability was 7.0%. 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 7.0%, 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)	\$ 84,424	23,030	(26,664)

(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, 2018:

	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	2018	10 years	\$ -	\$ 19,689,803	\$ (1,968,980)	\$ 17,720,823
	2016	10 years	2,412,452	-	(301,555)	2,110,897
Subtotal			2,412,452	19,689,803	(2,270,535)	19,831,720
Changes of assumptions	2017	10 years	8,511,329	-	(945,703)	7,565,626
Total			\$ 10,923,781	\$ 19,689,803	\$ (3,216,238)	\$ 27,397,346
Deferred Inflows of Resources:						
Difference between expected and actual experience	2017	10 years	\$ (3,741,640)	\$ -	\$ 415,739	\$ (3,325,901)
	2015	11 years	(2,406,380)	-	300,796	(2,105,584)
Subtotal			(6,148,020)	-	716,535	(5,431,485)
Net difference between projected and actual earnings on pension plan investments	2018	5 years	-	(11,087,906)	2,217,580	(8,870,326)
	2017	5 years	(8,816,061)	-	2,204,015	(6,612,046)
	2016	5 years	14,446,754	-	(4,815,583)	9,631,171
	2015	5 years	3,675,852	-	(1,837,927)	1,837,925
	2014	5 years	(4,168,119)	-	4,168,119	-
Subtotal			5,138,426	(11,087,906)	1,936,204	(4,013,276)
Changes of assumptions	2016	10 years	(3,714,719)	-	464,340	(3,250,379)
Total			\$ (4,724,313)	\$ (11,087,906)	\$ 3,117,079	\$ (12,695,140)

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

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

2019	\$ 4,267
2020	2,429
2021	(2,386)
2022	(182)
2023	2,035
Thereafter	8,539
Total	\$ 14,702

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 2018 amounts.

6. Collective Pension Expense

The components of collective pension expense for the year ending June 30, 2018 (excluding that attributable to employer-paid member contributions) are as follows (in thousands):

Service cost	\$ 17,010
Interest on total pension liability	25,811
Member contributions	(6,068)
Administrative expense	145
Changes in benefit terms	-
Projected earnings on plan investments	(23,067)
Recognition of deferred outflows and inflows of resources:	
Differences between projected and actual earnings on plan investments	(1,936)
Differences between expected and actual experiences with regards to factors or other inputs in the measurement of total pension liability	1,554
Changes in assumption with regards to factors or other inputs in the measurement of total pension liability	481
Pension expense	\$ 13,930



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, 2018 (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) (hereafter collectively referred to as the Schedules) and the related notes and have issued our report thereon dated May 29, 2019.

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 29, 2019