

**CITY OF JOPLIN, MISSOURI  
POLICEMEN'S AND FIREMEN'S PENSION PLAN**

Financial Statements  
and Required Supplementary Information

For the Years Ended  
October 31, 2015 and 2014

(With Independent Auditor's Report Thereon)

**CITY OF JOPLIN, MISSOURI  
POLICEMEN'S AND FIREMEN'S PENSION PLAN**

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## **INDEPENDENT AUDITOR'S REPORT**

The Board of Trustees of the  
City of Joplin, Missouri Policemen's  
and Firemen's Pension Plan:

We have audited the accompanying financial statements of the City of Joplin, Missouri Policemen's and Firemen's Pension Plan (the Plan), which comprise the statements of plan net position, statements of changes in plan net position, and the related notes to the financial statements as of October 31, 2015 and 2014.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 financial statements 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 financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective plan net position and changes in plan net position of the City of Joplin, Missouri Policemen's and Firemen's Pension Plan as of October 31, 2015 and 2014, and the respective notes to the financial statements in accordance with accounting principles generally accepted in the United States of America.

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## **Emphasis of Matter**

As discussed in Note 1, the financial statements of the Plan are intended to present the financial position, and changes in financial position of only that portion of the aggregate remaining fund information of the City of Joplin, Missouri (the City) that is attributable to the transactions of the Plan. They do not purport to, and do not, present fairly the financial position of the City, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in the Employer Net Pension Liability and Related Ratios and the Schedule of Employer Contributions on pages 12-13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Kansas City, Missouri  
April 15, 2016



**CITY OF JOPLIN, MISSOURI  
POLICEMEN'S AND FIREMEN'S PENSION PLAN**

STATEMENTS OF PLAN NET POSITION

OCTOBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Assets:		
Short-term investments	\$ 860,801	\$ 892,907
Receivables:		
Interest and dividends	21	293
Investments, at fair value:		
Mutual funds	<u>35,208,443</u>	<u>35,309,336</u>
Total investments, at fair value	<u>35,208,443</u>	<u>35,309,336</u>
 Total assets	 <u>36,069,265</u>	 <u>36,202,536</u>
 Net Position:		
Total net position restricted for pension benefits	 <u><u>\$ 36,069,265</u></u>	 <u><u>\$ 36,202,536</u></u>

See accompanying notes to the financial statements.

**CITY OF JOPLIN, MISSOURI  
POLICEMEN'S AND FIREMEN'S PENSION PLAN**

STATEMENTS OF CHANGES IN PLAN NET POSITION

FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014

	<b>2015</b>	<b>2014</b>
Additions:		
Contributions:		
Employer	\$ 2,662,321	\$ 2,919,863
Plan members	1,334,923	1,404,265
Total contributions	3,997,244	4,324,128
Investment income:		
Net appreciation (depreciation) in fair value of investments	(851,345)	1,478,039
Interest and dividends	829,281	692,371
Investment expenses	(68,346)	(70,269)
Net investment income (loss)	(90,410)	2,100,141
Total additions	3,906,834	6,424,269
Deductions:		
Benefits	2,925,904	2,780,780
Refunds of contributions	1,090,704	691,968
Administrative and other expenses	23,497	36,615
Total deductions	4,040,105	3,509,363
Net increase (decrease)	(133,271)	2,914,906
Net position restricted for pension benefits:		
Beginning of year	36,202,536	33,287,630
End of year	\$ 36,069,265	\$ 36,202,536

See accompanying notes to the financial statements.

**CITY OF JOPLIN, MISSOURI  
POLICEMEN'S AND FIREMEN'S PENSION PLAN**

NOTES TO THE FINANCIAL STATEMENTS

OCTOBER 31, 2015 AND 2014

**1. Description of the Plan**

The following brief description of the City of Joplin Policemen's and Firemen's Pension Plan (the Plan) is provided for general information purposes only. Participants should refer to the establishing ordinance and plan documents for more complete information.

General

The Plan is a single employer defined benefit plan that covers all full-time police officers and firefighters serving the City of Joplin, Missouri (the City). Coverage begins on the date of their employment and provides retirement, disability, and death benefits to Plan members and beneficiaries. The Plan is administered by the Board of Trustees of the Policemen's and Firemen's Pension Plan. Contributions to the Plan are made by the City in amounts authorized by the City Council of the City of Joplin and by participants in amounts established by ordinance.

The Plan is considered part of the City's financial reporting entity and is included in the City's financial reports as a Pension Trust Fund.

Termination Benefits

At any point prior to their normal retirement date, covered employees hired on or before January 31, 2009 are entitled to a return of their accumulated contributions without interest upon termination, death or disability. Amounts contributed by covered employees hired after January 31, 2009 will remain in the Plan.

Retirement Benefits

Retirement benefits accrue to members of the Plan according to the formula prescribed by the Plan and based upon earning levels and years of service. For all members who were hired on or before January 31, 2009, the benefits which accrue to members become 100% vested after twenty (20) years of service or upon reaching the age of sixty (60). For all members who were hired on or after February 1, 2009, the benefits which accrue to members become 100% vested after twenty-five (25) years of service or upon reaching the age of sixty (60).

Retirement benefits shall be paid to participants as monthly annuity payments for their lifetime, beginning in the month in which their retirement date falls. Benefits are to be paid for a period not longer than the lives (or, if applicable, the joint life expectancies) of the participant and their beneficiary. In the event of the death of a participant, benefits are to be paid to the participant's eligible spouse, qualified child or other designated beneficiary if no eligible spouse or qualified child exists. The amount of benefits to be received is determined based upon whether the participant is actively employed or retired and whether their death was related to the performance of their duties.

Plan Termination

In the event of the termination or partial termination of the Plan, the benefits of all affected Participants determined as of the date of such termination or partial termination, to the extent funded as of such date, shall be non-forfeitable. No such action shall alter the Plan or its operation with respect to Participants who have previously retired under this Plan. Although the City has not expressed any intent to terminate the Plan Agreement, it may do so at any time.

**CITY OF JOPLIN, MISSOURI  
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NOTES TO THE FINANCIAL STATEMENTS

OCTOBER 31, 2015 AND 2014

**2. Summary of Significant Accounting Policies**

Basis of Accounting and Presentation

The accounting and reporting policies of the Plan conform to accounting principles generally accepted in the United States of America applicable to governments and are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Funding Policy and Plan Membership

The actuarial determined employee contribution rate for the plan years 2015 and 2014 was 18.08% of the current year covered payroll for all members hired on or before January 31, 2009 and 10% for all members hired after January 31, 2009. Actual employee contributions equaled the actuarial determined amounts for the plan years 2015 and 2014.

The actuarial determined City contribution rates for the plan years 2015 and 2014 were 29.25% and 30.87% of covered compensation, respectively. The plan document specifies that for the plan year 2012 and all subsequent years, the City will contribute the actuarial determined rate, and accordingly, the City contributed the actuarial determined rate during 2015 and 2014.

Membership of the Plan consisted of the following as of the October 31, 2015 and October 31, 2014 actuarial valuation dates for the Plan:

	<b>2015</b>	<b>2014</b>
Retirees and beneficiaries	153	154
Active plan members:		
Vested	5	6
Nonvested	191	192
Total	349	352

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements and the reporting of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**3. Investments**

The Custodian and Investment Manager(s) chosen by the Trustees have discretionary authority concerning purchases of investments in the Plan subject to the overall investment policy guidelines as approved by the Board of Trustees and adopted by the City Council. The investment policy follows Sections 86.590 and 105.688 of the Missouri Revised Statutes regarding constraints on the deposit and investment of Plan assets.

**CITY OF JOPLIN, MISSOURI  
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NOTES TO THE FINANCIAL STATEMENTS

OCTOBER 31, 2015 AND 2014

The Plan's investment policy permits investments in fixed income securities, equity securities, and alternative investments. Under the policy, the investment manager is responsible for the diversification of their portfolio in order to minimize the risk of a large loss from a single security.

Investments are reported at fair value based on quoted market values. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Investments of the Plan at October 31, 2015 and 2014 consisted of the following:

	<b>2015</b>	<b>2014</b>
Mutual Funds -		
Equity	\$ 23,551,313	\$ 20,899,163
Fixed Income	11,657,130	14,410,173
	<b>\$ 35,208,443</b>	<b>\$ 35,309,336</b>

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Plan has no specific policy regarding interest rate risk. For the years ended October 31, 2015 and 2014, approximately 85% and 67%, respectively, of the Plan's fixed income mutual funds had maturities of 5 to 11 years. As a result, the Plan is exposed to the risk of fair value losses arising from increasing interest rates.

The Plan has elected to use the segmented time distribution method of disclosure for its fixed income mutual funds. The following table summarizes these investments at October 31, 2015:

	<b>Fair Value</b>	<b>Investment Maturities (in Years)</b>		
		<b>Less than 1</b>	<b>1 - 5</b>	<b>5 - 11</b>
Fixed Income Mutual Funds	\$ 11,657,130	\$ -	\$ 1,740,239	\$ 9,916,891

The following table summarizes investments at October 31, 2014:

	<b>Fair Value</b>	<b>Investment Maturities (in Years)</b>		
		<b>Less than 1</b>	<b>1 - 5</b>	<b>5 - 11</b>
Fixed Income Mutual Funds	\$ 14,410,173	\$ -	\$ 4,700,792	\$ 9,709,381

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NOTES TO THE FINANCIAL STATEMENTS

OCTOBER 31, 2015 AND 2014

*Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Plan. The Plan has no specific policy regarding credit risk. The Plan uses the credit ratings issued by Standard and Poor's for disclosure of credit risk. The following table summarizes the average credit rating of each fund's holdings for Plan investments subject to credit risk at October 31, 2015:

<u>Fund Name</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Metropolitan West Total Return Bond Fund	\$ 5,281,981	BBB
Vanguard Intermediate Term Treasury Fund	4,634,910	AA
Templeton Global Bond Advisor Fund	1,740,239	BB
	<u>\$ 11,657,130</u>	

The following table summarizes the average credit rating of each fund's holdings for Plan investments subject to credit risk at October 31, 2014:

<u>Fund Name</u>	<u>Fair Value</u>	<u>Credit Rating</u>
PIMCO All Asset Institutional Fund	\$ 2,866,934	Not Rated
Metropolitan West Total Return Bond Fund	5,204,699	BBB
Templeton Global Bond Advisor Fund	1,833,858	BB
Vanguard Intermediate Term Treasury Fund	4,504,682	AA
	<u>\$ 14,410,173</u>	

*Custodial Credit Risk*

The custodial credit risk for deposits is the risk that, in the event of the failure of the counterparty to the investment, the Plan will not be able to recover the value of investments that are in the possession of an outside party. The Plan's investments are held by its investment custodian in the Fund's name, and accordingly, the Plan had no investments subject to custodial credit risk.

*Concentration of Credit Risk*

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of the Plan's investment in a single issue. The Plan has no specific policy regarding the amount that may be invested in any one issuer. At October 31, 2015 and 2014, the Plan's investments in mutual funds, are designed, in part, to provide diversification and therefore reduce this risk.

*Rate of Return*

For the years ended October 31, 2015 and 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (.04%) and 6.47%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**CITY OF JOPLIN, MISSOURI  
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NOTES TO THE FINANCIAL STATEMENTS

OCTOBER 31, 2015 AND 2014

**4. Risks and Uncertainties**

The Plan invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, the values of investment securities may change in the near term and that such changes could materially affect the amounts reported in the statements of plan net position.

The Plan has purchased insurance to cover disability payments to eligible beneficiaries. Insurance premiums in the amount of \$30,093 and \$0 were included in benefit payments for the years ended October 31, 2015 and 2014, respectively. The Plan does not currently have any beneficiaries receiving benefits as a result of this insurance policy.

**5. Net Pension Liability of the City**

	2015	2014
Total pension liability	\$ 60,061,074	\$ 58,001,117
Plan fiduciary net position	(36,069,265)	(36,202,536)
City's net pension liability	\$ 23,991,809	\$ 21,798,581
 Plan fiduciary net position as a percentage of the total pension liability	60.05%	62.42%

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NOTES TO THE FINANCIAL STATEMENTS

OCTOBER 31, 2015 AND 2014

*Actuarial Valuation Information*

The total pension liability amounts were determined by actuarial valuations as of October 31, 2015 and 2014, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar, Closed
Remaining amortization period	21 years (2015), 22 years (2014)
Asset Valuation Method	5-year smoothed market; 20% corridor
Wage Inflation	2.5%
Salary Increases	Police: 2.5% to 7.625% including inflation Fire: 2.5% to 7.01125% including inflation
Investment Rate of Return	7.0%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Active members age 60 and over are assumed to retire immediately.
Mortality	The standard mortality table used in this valuation is the RP 2000 projected to the valuation date. There is no margin for future mortality improvements. The projection of this table is reset each year to the valuation date. 25% of active deaths are assumed to be duty related, and 75% of active deaths are assumed to be non-duty related. The disabled mortality table used in this valuation is the RP 2000 disabled table.

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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 pension plan 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of October 31, 2015 are summarized in the following table:

	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	41.18%	7.5%
International equity	17.65%	8.5%
Domestic Bonds	35.29%	2.5%
International Bonds	5.88%	3.5%

*Discount rate*

A single discount rate of 7.0% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.0% and the municipal bond rate of 3.66%. The projection of cash flows used to determine the single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the net pension liability to changes in the discount rate.*

The following presents the net pension liability of the City calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease 6.0%	Current Discount Rate 7.0%	1% Increase 8.0%
City's net pension liability	\$ 30,947,532	\$ 23,991,809	\$ 18,193,789

**7. Subsequent Events**

The Plan evaluated subsequent events through April 15, 2016, the date the financial statements were available to be issued. No subsequent event were identified that required recognition or disclosure in the financial statements.

## Required Supplementary Information

**CITY OF JOPLIN, MISSOURI  
POLICEMEN'S AND FIREMEN'S PENSION PLAN  
Required Supplementary Information**

Schedule of Changes in the Employer Net Pension Liability  
and Related Ratios

	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>		
Service costs	\$ 2,054,031	\$ 2,067,978
Interest	3,992,441	3,823,752
Difference between expected and actual experience	-	197,958
Assumption changes	-	56,769
Benefit payments	(2,895,811)	(2,780,780)
Refunds	(1,090,704)	(691,968)
Net change in pension liability	<u>2,059,957</u>	<u>2,673,709</u>
Total pension liability - beginning of year	58,001,117	55,327,408
Total pension liability - end of year (a)	<u>\$ 60,061,074</u>	<u>\$ 58,001,117</u>
<b>Plan Fiduciary Net Position</b>		
Employer contributions	\$ 2,662,321	\$ 2,919,863
Employee contributions	1,334,923	1,404,265
Net investment income (loss)	(90,410)	2,100,141
Benefit payments	(2,925,904)	(2,780,780)
Refunds	(1,090,704)	(691,968)
Administrative expenses	(23,497)	(36,615)
Net change in plan fiduciary net position	<u>(133,271)</u>	<u>2,914,906</u>
Plan fiduciary net position - beginning of year	36,202,536	33,287,630
Plan fiduciary net position - end of year (b)	<u>\$ 36,069,265</u>	<u>\$ 36,202,536</u>
Employer's net pension liability (a) - (b)	<u>\$ 23,991,809</u>	<u>\$ 21,798,581</u>
Plan net position as a percentage of the total pension liability	60.05%	62.42%
Covered employee payroll	\$ 9,056,584	\$ 8,868,033
City's net pension liability as a percentage of covered payroll	264.91%	245.81%

**CITY OF JOPLIN, MISSOURI  
POLICEMEN'S AND FIREMEN'S PENSION PLAN  
Required Supplementary Information**

Schedule of Employer Contributions

	2015	2014
Actuarially determined contributions	\$ 2,662,321	\$ 2,919,863
Contributions in relation to the actuarially determined contributions	(2,662,321)	(2,919,863)
Contributions deficiency (excess)	\$ -	\$ -
 Covered employee payroll	 \$ 9,056,584	 \$ 9,109,859
 Contributions as a percentage of Covered employee payroll	 29.40%	 32.05%

**Notes to Required Supplementary Information**

Actuarially determined contribution rates are calculated as of October 31, twelve months prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contributions rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar, Closed
Remaining amortization period	21 years
Asset Valuation Method	5-Year smoothed market 20% corridor
Wage Inflation	2.5%
Salary Increases	Police: 2.5% to 7.625% including inflation Fire: 2.5% to 7.01125% including inflation
Investment Rate of Return	7.0%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Active members age 60 and over are assumed to retire immediately.
 Mortality	 The standard mortality table used in this valuation is the RP 2000 projected to the valuation date. There is no margin for future mortality improvements. The projection of this table is reset each year to the valuation date. 25% of active deaths are assumed to be duty related, and 75% of active deaths are assumed to be non-duty related. The disabled mortality table used in this valuation is the RP 2000 disabled table.