Agenda

• Executive Summary

• Financial Statements

• Reports on Internal Control over Financial Reporting and on Compliance

• Reports on Federal Awards

• Management Letter
Executive Summary

• Majority of fieldwork occurred between the middle and end of September

• Management and staff were responsive to all inquiries

• Financial statements currently in draft format; awaiting finalization of net pension liability

• Federal grants portion of the audit is in process with an expected completion date in November 2016
Executive Summary

• Unrestricted net deficit at year-end totaled $184M

• Operating revenues decreased 4% while operating expenses increased 3%

• Long-term obligations total $241M

• Current ratio/working capital is 2.6

• No findings in internal control over financial reporting and compliance
Financial Statement Structure

- Before we get into the numbers, your financial statements are structured as follows:
  - Auditors’ report/opinion
  - Financial statements and footnotes
  - Required supplementary information
  - Supplementary information
Opinion

- Opinion
  - Unmodified (consistent with prior years)
    ◊ Best opinion available
  - Other Matters
    ◊ Management has not included Management’s Discussion and Analysis
Statement of Net Position

Assets and Deferred Outflows of Resources

<table>
<thead>
<tr>
<th></th>
<th>6/30/2016</th>
<th>6/30/2015</th>
<th>Change ($)</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>$ 61,889</td>
<td>$ 65,849</td>
<td>$(3,960)</td>
<td>-6%</td>
</tr>
<tr>
<td>Capital assets</td>
<td>26,480</td>
<td>25,639</td>
<td>841</td>
<td>3%</td>
</tr>
<tr>
<td>Noncurrent assets</td>
<td>42,214</td>
<td>41,472</td>
<td>742</td>
<td>2%</td>
</tr>
<tr>
<td>Deferred outflows of resources</td>
<td>28,572</td>
<td>8,876</td>
<td>19,696</td>
<td>222%</td>
</tr>
<tr>
<td>Total Assets and Deferred Outflows</td>
<td>159,155</td>
<td>141,836</td>
<td>17,319</td>
<td>0</td>
</tr>
</tbody>
</table>

Liabilities and Deferred Inflows of Resources

<table>
<thead>
<tr>
<th></th>
<th>6/30/2016</th>
<th>6/30/2015</th>
<th>Change ($)</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities</td>
<td>23,717</td>
<td>30,071</td>
<td>(6,354)</td>
<td>-21%</td>
</tr>
<tr>
<td>Noncurrent liabilities</td>
<td>284,740</td>
<td>257,333</td>
<td>27,407</td>
<td>11%</td>
</tr>
<tr>
<td>Deferred inflows of resources</td>
<td>11,734</td>
<td>7,283</td>
<td>4,451</td>
<td>61%</td>
</tr>
<tr>
<td>Total Liabilities and Deferred Outflows</td>
<td>320,191</td>
<td>294,687</td>
<td>25,504</td>
<td>9%</td>
</tr>
</tbody>
</table>

Net Position

<table>
<thead>
<tr>
<th></th>
<th>6/30/2016</th>
<th>6/30/2015</th>
<th>Change ($)</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net investment in capital assets</td>
<td>22,518</td>
<td>23,585</td>
<td>(1,067)</td>
<td>-5%</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>(183,554)</td>
<td>(176,436)</td>
<td>(7,118)</td>
<td>4%</td>
</tr>
<tr>
<td>Total net position</td>
<td>$ (161,036)</td>
<td>$ (152,851)</td>
<td>$ (8,185)</td>
<td>5%</td>
</tr>
</tbody>
</table>
### Statement of Revenues, Expenses & Changes

<table>
<thead>
<tr>
<th></th>
<th>6/30/2016</th>
<th>6/30/2015</th>
<th>Change</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenues</td>
<td>$ 97,289</td>
<td>$ 101,248</td>
<td>$ (3,959)</td>
<td>-4%</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>187,566</td>
<td>182,285</td>
<td>5,281</td>
<td>3%</td>
</tr>
<tr>
<td>Operating Income</td>
<td>(90,277)</td>
<td>(81,037)</td>
<td>(9,240)</td>
<td>11%</td>
</tr>
<tr>
<td>Nonoperating Revenues (Expenses), Net</td>
<td>81,717</td>
<td>69,846</td>
<td>11,871</td>
<td>17%</td>
</tr>
<tr>
<td>Capital Contributions</td>
<td>375</td>
<td>375</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Change in net position</td>
<td>(8,185)</td>
<td>(10,816)</td>
<td>2,631</td>
<td>-24%</td>
</tr>
<tr>
<td>Net position, beginning of year, as restated (2015)</td>
<td>(152,851)</td>
<td>(142,035)</td>
<td>(10,816)</td>
<td>8%</td>
</tr>
<tr>
<td>Net position, end of year</td>
<td>$ (161,036)</td>
<td>$ (152,851)</td>
<td>$ (8,185)</td>
<td>5%</td>
</tr>
</tbody>
</table>
Revenues by Funding Source

Operating and Nonoperating Revenue

- Grants: 27%
- EMS & Other 3rd Party: 24%
- Leases and Rent: 2%
- Other: 1%
- City Appropriation: 46%
- Interest Income: 0%
Significant Footnotes

• Leases (Lessor) (Note 6)
  – Commission is currently re-negotiating BMC lease
  – Mallory Building lease through 2096
    ◦ $1.7M received up front
    ◦ $1.4M recorded as unearned revenue at 06/30/16
    ◦ Recognizing revenue of $18k/year
  – Future minimum lease payments for Northampton Square (Phases 1 and 2) total $144M
Significant Footnotes

• Notes Receivable (Note 7)
  – Mattapan Heights and Northampton Square developments (through the respective nonprofits)
  – $42M (including accrued interest) outstanding and due between 2042 and 2065
  – All amounts have been deferred and not included in revenue and net position
Significant Footnotes

• Other Post-Employment Benefits (Note 10)
  – Total unfunded liability is $98M (based on 06/30/15 actuarial valuation)
    ◊ $11M of assets accumulated as of actuarial valuation date
  – Net OPEB obligation recorded at 06/30/16 - $86M
  – OPEB expense totaled $11M
  – Contributions totaled $4M
    ◊ Represents 37% of annual expense
Financial Highlights

• Pension Plan (Note 11)
  – Commission’s proportion of SBRS net pension liability totals 7.7151 %, or $151M
    ◊ Based on December 31, 2015, Measurement Date
  – Pension expense totaled $19M
  – Deferred outflows of resources totals $29M
    ◊ Changes in assumptions, proportion and difference between expected and actual earnings
  – Deferred inflows of resources totals $12M
    ◊ Changes in assumptions and proportion
Report on Internal Control over Financial Reporting and on Compliance and Other Matters

• Required by *Government Auditing Standards*

• Must report on the following:
  – Significant deficiencies or material weaknesses in internal control over financial reporting
  – Material noncompliance related to laws, regulations, contracts and grant agreements

• Results
  – No findings reported
Reports on Federal Awards

- Total federal awards - $32M

- Major Programs tested
  - HIV Emergency Relief Project Grants
  - Partnerships to Improve Community Health
  - National Bioterrorism Hospital Preparedness Program

- An opinion on major federal award program compliance and findings (if applicable) will be issued when our procedures are complete
Management Letter

• Parking Revenue
  – System generated reports are not being received and used as a basis for recording transactions
  – Inability to reconcile cash receipts to transaction reports or test completeness of transactions

• Grant Billing
  – Untimely billing of certain grants
  – Instances identified where billings were performed for the entire fiscal year after year-end
Special thanks to the Commission’s staff during the 2016 audit

Questions?