Agenda

• Terms of Engagement
• Executive Summary
• Pension and OPEB liabilities
• Questions
Terms of Engagement

- Express an opinion on whether the June 30, 2018 financial statements are presented in conformity with GAAP

- Express an in relation to opinion on the schedule of expenditures of federal award programs and an opinion on compliance related to major federal award programs

- Provide a report on internal control over financial reporting and compliance with laws and regulations

- Provide a report on internal control over compliance related to major federal award programs
Executive Summary

• Audit was delayed approximately 2 weeks and began September 10

• Audit work is substantially complete and we anticipate issuance by the end of the month (October)

• Financial Statements currently in draft form (dated October 11, 2018)
  – We don’t anticipate any significant changes

• We anticipate issuing an “unmodified” opinion on the financial statements (best opinion available)
Executive Summary

• Implementation of GASB 75
  – Full Net OPEB liability is now reported and includes a restatement (reduction) of beginning net position totaling $21M

• Unrestricted net deficit totals $213M at year-end
  – Net pension and net OPEB liability total $228M
Executive Summary

• Major Federal Programs audit
  – Will be completed no later than the reporting deadline of March 31, 2019

• Once all reports are issued we will present the full audit results to the Board
Pension Liability

- Note 11 – Pension Plan (pages 23-28)
  - Commission’s proportion of SBRS net pension liability totals 7.5164%, or $116M
    ◊ Based on December 31, 2017 Measurement Date
  - Pension expense totaled $15M
    ◊ Prior year expense was $19M
- Discount rate sensitivity
  ◊ 7.5% (current measurement) - $116M liability
  ◊ 8.5% - $86M liability
  ◊ 6.5% - $152M liability
OPEB Liability

- Note 10 – OPEB plan (pages 19-23)
  - GASB Statement No. 75, among other things, records the full OPEB liability on the Commission’s financial statements
    - Required restatement (reduction) to beginning net position of $21M

- Net OPEB Liability at year-end totals $112M
  - Measured as of June 30, 2017
  - OPEB liability totals $129M
  - Plan net position totals $17M
  - Plan net position as a percentage of liability = 13%
OPEB Liability

- Discount rate sensitivity
  - 4.65% (current measurement) - $112M liability
  - 5.65% - $93M liability
  - 3.65% - $135M liability

- Healthcare cost trend rate sensitivity
  - Medical, Prescription Drug and Medicare Part B – ultimate levels of 4.5%
    - Current measurements - $116M liability
    - 1% increase - $86M liability
    - 1% decrease - $152M liability