

Boston Public Health Commission

2018 Audit - Interim Board Communication
October 17, 2018

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

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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

