Boston Public Health Commission

2017 Audit - Board Exit Conference
November 15, 2017
Agenda

• Executive Summary

• Financial Statements

• Reports on Internal Control over Financial Reporting and on Compliance

• Reports on Federal Awards
Executive Summary

• Fieldwork began September 6

• Requested audit information provided piecemeal which has delayed the audit process

• Financial statements currently in draft form:
  – Significant Open Items:
    ◊ Net Pension Liability Reports – Boston Retirement System
    ◊ IT Assessment
    ◊ Trinity Receivable Dispute

• Federal grants portion of the audit is in process with an expected completion date of December 2017
Executive Summary

• Unrestricted net deficit at year-end totaled $189M

• Operating revenues increased 5% while operating expenses remained consistent with the prior year

• Long-term obligations total $305M

• Current ratio/working capital is 2.85
Opinion

• Expected to be unmodified (consistent with prior years) with a explanatory paragraph for the omission of Management’s Discussion and Analysis
# Statement of Net Position

<table>
<thead>
<tr>
<th>Assets and Deferred Outflows of Resources</th>
<th>6/30/2017</th>
<th>6/30/2016</th>
<th>Change ($)</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>$61,441</td>
<td>$61,889</td>
<td>(448)</td>
<td>-1%</td>
</tr>
<tr>
<td>Capital assets</td>
<td>25,100</td>
<td>26,520</td>
<td>(1,420)</td>
<td>-5%</td>
</tr>
<tr>
<td>Noncurrent assets</td>
<td>42,703</td>
<td>41,934</td>
<td>769</td>
<td>2%</td>
</tr>
<tr>
<td>Deferred outflows of resources</td>
<td>27,858</td>
<td>28,572</td>
<td>(714)</td>
<td>-2%</td>
</tr>
<tr>
<td><strong>Total Assets and Deferred Outflows</strong></td>
<td>157,102</td>
<td>158,915</td>
<td>(1,813)</td>
<td>(0)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and Deferred Inflows of Resources</th>
<th>6/30/2017</th>
<th>6/30/2016</th>
<th>Change ($)</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities</td>
<td>21,574</td>
<td>23,716</td>
<td>(2,142)</td>
<td>-9%</td>
</tr>
<tr>
<td>Noncurrent liabilities</td>
<td>283,236</td>
<td>284,460</td>
<td>(1,224)</td>
<td>0%</td>
</tr>
<tr>
<td>Deferred inflows of resources</td>
<td>21,541</td>
<td>11,734</td>
<td>9,807</td>
<td>84%</td>
</tr>
<tr>
<td><strong>Total Liabilities and Deferred Outflows</strong></td>
<td>326,351</td>
<td>319,910</td>
<td>6,441</td>
<td>2%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Position</th>
<th>6/30/2017</th>
<th>6/30/2016</th>
<th>Change ($)</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net investment in capital assets</td>
<td>20,231</td>
<td>22,558</td>
<td>(2,327)</td>
<td>-10%</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>(189,480)</td>
<td>(183,553)</td>
<td>(5,927)</td>
<td>3%</td>
</tr>
<tr>
<td><strong>Total net position</strong></td>
<td>$ (169,249)</td>
<td>$(160,995)</td>
<td>$(8,254)</td>
<td>5%</td>
</tr>
</tbody>
</table>
## Statement of Revenues, Expenses & Changes

<table>
<thead>
<tr>
<th></th>
<th>6/30/2017</th>
<th>6/30/2016</th>
<th>Change</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenues</td>
<td>$102,514</td>
<td>$97,299</td>
<td>$5,215</td>
<td>5%</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>188,839</td>
<td>187,942</td>
<td>897</td>
<td>0%</td>
</tr>
<tr>
<td>Operating Income</td>
<td>(86,325)</td>
<td>(90,643)</td>
<td>4,318</td>
<td>-5%</td>
</tr>
<tr>
<td>Nonoperating Revenues (Expenses), Net</td>
<td>77,705</td>
<td>82,084</td>
<td>(4,379)</td>
<td>-5%</td>
</tr>
<tr>
<td>Capital Contributions</td>
<td>366</td>
<td>415</td>
<td>(49)</td>
<td>-12%</td>
</tr>
<tr>
<td>Change in net position</td>
<td>(8,254)</td>
<td>(8,144)</td>
<td>(110)</td>
<td>1%</td>
</tr>
<tr>
<td>Net position, beginning of year</td>
<td>(160,995)</td>
<td>(152,851)</td>
<td>(8,144)</td>
<td>5%</td>
</tr>
<tr>
<td>Net position, end of year</td>
<td>$ (169,249)</td>
<td>$ (160,995)</td>
<td>$ (8,254)</td>
<td>5%</td>
</tr>
</tbody>
</table>
Revenues by Funding Source

Operating and Nonoperating Revenue

- Grants: 25%
- EMS & Other 3rd Party: 29%
- Leases and Rent: 1%
- Other: 2%
- City Appropriation: 43%
- Interest Income: 0%
Expenses

Operating and Nonoperating Expenses

- Public Health Programs: 69%
- Property Operations: 10%
- Public Health Service Centers: 6%
- Administration: 2%
- Pension: 8%
- OPEB: 3%
- Depreciation: 2%
**Significant Footnotes**

- **Leases (Lessor) (Note 6)**
  - Commission is currently re-negotiating BMC lease
  - Mallory Building lease through 2096
    - $1.6M received up front
    - $1.4M recorded as unearned revenue at 06/30/17
    - Recognizing revenue of $18k/year
  - Future minimum lease payments for Northampton Square (Phases 1 and 2) total $142M
Significant Footnotes

- Notes Receivable (Note 7)
  - Mattapan Heights and Northampton Square developments (through the respective nonprofits)
  - $42.7M (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 06/30/17 - $93.5M
  – OPEB expense totaled $12M
  – Contributions totaled $4.6M
    ◊ Represents 38% of annual expense
Financial Highlights

- Pension Plan (Note 11)
  - Commission’s proportion of SBRS net pension liability totals 7.8753 %, or $141M
    ◊ Based on December 31, 2016, Measurement Date
  - Pension expense totaled $19M
  - Deferred outflows of resources totals $28M
    ◊ Changes in assumptions, proportion and difference between expected and actual earnings
  - Deferred inflows of resources totals $22M
    ◊ Changes in assumptions, proportion and difference between actual and expected experience
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
  – Currently evaluating the impacts of findings identified during our audit process
Reports on Federal Awards

• Total federal awards - $33M

• Major Programs tested
  – HIV Emergency Relief Project Grants
  – PPHF: Racial and Ethnic Approaches to Community Health

• An opinion on major federal award program compliance and findings (if applicable) will be issued when our procedures are complete
Questions?