Comments on the MOFD 2012/13 Audited Financials (draft 10-29-2013)

As the Task Force said in its September 2012 report, " Part of the reason the District has reached its current uncomfortable position of having seriously underfunded liabilities is that standard accounting procedures have masked the true extent of these liabilities and the District has not taken steps to work around the accounting industry's shortcomings." This is becoming ever more apparent. In its just released audited financials, the District has "discovered" that the entirety of its general fund reserves are not just "assigned" as stated in the 2011/12 financials but actually" restricted"; unavailable for covering expected budget shortfalls. This leaves MOFD, as of 6/30/2013 with $3.5mm in liquid assets, all committed to the capital fund, and net payables of $427,000 in the general fund. In addition, the capital fund account has since been drawn down by over $1 million due to the purchase of property for the proposed Station 46. MOFD is almost out of money. The Task Force contends that this is partially due to the fact that the MOFD balance sheet does not present the true condition of the District and that, until very recently, what was presented was not fully understood by the staff or the Board.

Following are notes on the current (10/29/2013) Draft 2012/13 Financials (specifically the balance sheet) and suggestions on how the GASB balance sheet could be supplemented with a more functional version which gives a clearer picture of the District's financial health.

NOTES

Pension - Footnote 7

Page 28 of the Financials "The December 2012 valuation conducted by Segal included an assumed investment rate of return of 7.75%, including inflation at 3.5%."

In the 2012 Segal report, page vii, Key Assumptions are listed as: Investment Rate 7.25% / Inflation Rate 3.25%.. The Task Force believes that these are the operative assumptions for MOFD's current Pension Liability.

Prepaid Items - Footnote 14

Pension contribution - $24,405,680. This is included "above the line" in the Statement of Net Position (part of the $24,585,099 total). Where is this pre payment being held? It is being "held" by CCCERA and is accounted for as part of the assets in Footnote 7. Therefore, it is being "double dipped" both as an asset in the balance sheet and as an asset in Footnote 7.

The Task Force is not saying this is an error in GASB accounting, but it is saying that it is accounting such as this that has gotten MOFD and other public agencies in trouble. Either this should be shown is an above the line asset, in which case Footnote 7 should be adjusted by this amount (reducing assets from $119,893,798 to 95,308,699 and the UAAL is then increased from $45,045,193 to $69,630,292; or $24,585,099 of the prepayment should be removed as an above-the-line prepaid asset, in which case assets would be reduced to $15,828,329 and Total Net Position would be reduced to a net liability of ($15,930,185).

This may not be GASB but it is a lot clearer that what is currently depicted. At the very least, the executive summary should vigorously point out this "double dip" of $24.6 mm in "assets".

Other Post Employment Retirement Plan (OPEB) - Footnote 12

As the Staff report indicates, the $24mm value, as of 6/30/2009, is woefully out of date. In the four years since this value was calculated, retiree medical expenses have increased 30% and the discount rates in four years have decreased (20 year US Treasury yield rate on 6/30/2009 was 4.30% while on 6/30/2013 it was down to 3.22%). If you increase the liabilities 30%, and then present value them at a discount rate 1% lower than the 4.25% rate used in 2009, the OPEB UAAL will increase to about $37 million.

This would be today's GASB 45 OPEB value. Why not use it, as ugly as it is? MOFD may be planning on reducing the OPEB liability in the next contract and then increasing the discount rate by actually funding these liabilities (and therefore using the projected asset earning rate as the discount rate). But until these changes are made MOFD should "play by the rules" and not "cook the books" by using either out of date information or what some might consider "wishful thinking". Leave these alternative measurements for an executive summary or an alternative analysis.

GASB ACCOUNTING

The Task Force wants to reiterate what it has said in the past - GASB accounting is one of the major reasons that MOFD and other public agencies are in such financial distress. It has allowed agencies to obscure significant liabilities and has given them the appearance of financial health, when in fact they are sick or on the edge of collapse. After looking at these overly optimistic views of the financial condition over several years, even those who should know better start to believe the myth.

Therefore, the Task Force has developed an alternative Balance Sheet for MOFD that we believe more fully tells "the story" of MOFD's financial condition in a single snapshot. We realize that those defensive of MOFD's condition may call this "creative accounting" but traditional accounting has let down the leadership of MOFD and the community MOFD serves. Some creativity is called for.

Attached are several exhibits to illustrate the changes the Task Force believes that MOFD should make to its GASB compliant balance sheet to create an "executive" version that more accurately tells the story of MOFD's assets and liabilities. These will not replace the GASB balance sheet, but supplement it as a matter of good business and common sense.

EHIBIT 1 is the GASB compliant balance sheet which comes accompanied by 15 footnotes telling the real story (if you are a CPA). It should not be necessary for "the great unwashed" to have to wade through 18 pages of footnotes to get the "basic" picture of MOFD's financial position. There should be a one-page exhibit which tells all. This obfuscation of the facts has left the community and the MOFD Board in the dark and now we find ourselves on the brink of disaster.

EXHIBIT 2 makes the simple steps of moving OPEB (retiree medical) and pension net liabilities from the footnotes into the balance sheet and showing not just their discounted present values but their non-discounted values and the value of the discounting (which can change as discount rate changes).

1) OPEB - GASB has decided that unfunded OPEB liabilities should be taken out of the footnotes and put into the balance sheet but they are accomplishing this over an extended period of time (about 18 years). MOFD claims its total OPEB liability is $24.1 million. This year they increased the amount ON the balance sheet by $1.4 million, up to $6.1 million. To the Task Force, this is just an obfuscation of the obvious. They should admit to what they owe and put in on the balance sheet; the full $24.1 million (if that is the correct number).

Further, the Task Force does not believe that $24.1 million is the correct OPEB liability. This was the liability calculated for 6/30/2009. By 6/30/2013 MOFD retiree medical costs had increased 31% and the discount rate should also be reduced. In 2009 the 20 year US Treasury bond was yielding 4.30%. On 6/30/2013 this yield had dropped to 3.22%. So while the OPEB liability was determined by using a 4.25% discount rate in 2009, it would probably be calculated using a 3.25% rate in 2013. Making these two adjustments to the 2009 OPEB liability amount, the Task Force arrives at a value of close to $37 million, which it uses in Exhibit 2.

MOFD may argue that is OK to use the old OPEB value because they (a) plan on decreasing retiree medical benefits and (b) plan on starting to pre-fund them which will allow them to use the projected fund asset earning rate as their discount; but until they make these two changes, the Task Force believes they should stick with the GASB rules.

2) Pension Plan - In two years GASB 68 will force the District to move the Pension Plan's net unfunded liability (UAAL) from the footnotes to the balance sheet. Why not do it now? When this happens, the ($24.4 million) prepaid pension payment, which is currently in the balance sheet as an asset, will have to be removed as this prepayment also exists as part of the pension assets and cannot be in the balance sheet in two places (double dipping).

Making these three changes revises MOFD's net position from a positive $9 million, to a negative $54 million (just adding OPEB and Pension as shown in the footnotes) to a negative $92 million (updating the OPEB liability and removing the pension prepayment from the assets).

EXHIBIT 3 expands the pension UAAL into it components, liabilities and offsetting assets. This goes beyond what GASB 68 will require. This "balloons" the balance sheet by adding the $120 million actuarial value of the pension assets to both the asset and liability sections, leaving the same $92 million net. Why do this? Because it more clearly displays MOFD's true financial condition. Owning a $1 asset is not the same as owning a $100 asset and having $99 of debt. Especially when the debt does not legally offset the liability. The value of the asset could plunge to zero and the $99 of debt would still be owed. Thousands of US homeowners have found this out the hard way. In fact, home mortgages are non-recourse. In the above example the homeowner would only lose his $1 net investment and be able to "walk away" from the $99 in debt. But in MOFD's case the, full value of the pension liabilities are owed regardless of the value of the assets. This is why MOFD went from having no pension UAAL in 2007 to a massive UAAL one year later as its assets lost 28% of their value. If both the assets and liabilities had been clearly identified on the balance sheet, the sudden increase in net liabilities would not have come as quite the shock. In addition, by showing the non-discounted value of the liabilities, it would have been more apparent that the current retirement policy was producing new liabilities each year at a rate that was several times the total salaries paid each year.

EXHIBIT 4 makes two changes:

> 1) It uses the market value of the pension assets as opposed to the "valuation value" (which smooths market fluctuations). Currently the market value is $4 million greater than the valuation value do to large gains last year. When GASB 68 comes into effect, it is this market value which will be used.
>
> 2) It discounts the OPEB liabilities at the same rate the pension liabilities are discounted, 7.25%. It does not make any sense to discount these two very similar liabilities at different rates. The Task Force does not necessarily agree that 7.25% is the correct rate to use but it is the rate MOFD and CCCEDRA are currently using to evaluate MOFD's pension liabilities.

These two changes reduces the net liability to $72 million.

EXHIBITs 4a and 4b bifurcate the Exhibit 4 balance sheet into two parts; an operational balance sheet (4a) and a retirement benefits balance sheet (4b). Due to the magnitude of the retirement benefit assets and liabilities, the balance sheet for the basic business of MOFD, operating an emergency services organization, gets overwhelmed. This is not right (and may have been the reason GASB originally put employee benefits in the footnotes, not realizing this would allow them to get out of hand). By doing this it can be seen that:

> 1) Exhibit 4a shows that MOFD has a very modest operations balance sheet. Its major assets are its buildings and equipment; it has no debt; its payables are slightly ahead of receivables but with a $20 million budget, $427,000 only represents about eight days of delay; and it has $3.5 million of liquid funds. Unfortunately, that $3.5 million is entirely in the Capital Account fund which has been deemed "committed" and over $1 million has already been spent since 6/30/2013 on the Station 46 property.
>
> 2) Exhibit 4b shows MOFD operating a massive retirement program. It almost looks as if this is its major reason for existence. With over $700 million in future liabilities (non-discounted), 35 times its current budget and over twice the total tax revenue received since MOFD was formed in 1997, this is a huge commitment for the community to take on. And even assuming a 7.25% asset earning rate, the current assets are projected to provide only about 1/3 of the future liabilities. The Task Force believes that MOFD can reduce its expenses and increase it assets over the next 15 to 20 years to cover these liabilities, but it also needs to consider ways to reduce the rate of accrual of future liabilities. It cannot continue to accrue liabilities at the rate it has. The employees need to take on more of the responsibility of saving for their own future. They cannot put the entire task on the taxpayers of Orinda and Moraga.

EXHIBIT 5b makes one change from Exhibit 4b: It reduces the projected CCCERA earning rate, and thus the assumed OPEB and pension liability discount rate, from 7.25% to 6.00%.

A Stanford study showed that while there was only a 42% chance of the current CalPERS portfolio earning 7.75% over 30 years (this was the assumed rate at the time of the study; the CCCERA portfolio is similar to the CalPERS portfolio; and there is about a 50% chance of meeting a 7.25% yield; all this based on past performance), but a 65% chance of meeting a 6.00% yield rate. Are we feeling lucky? It is the tax payers taking the full risk of the investments return. To the extent not enough is put away today, more will have to be contributed later by future generations. Exhibit 5 shows that by assuming a 6% discount / earning rate:

1) Pension assets will earn $52 million less
2) Discounted pension liabilities will increase by $34 million
3) Discounted OPEB liabilities will increase by $4 million

MOFD net unfunded employee benefits liabilities increase from $84 million to $122 million; an additional $38 million. The Task Force believes that it would be prudent for MOFD to plan for the worst (or something less than the best) and hope for the best. This will take substantial changes in operations. Much more substantial than cutting the force from 19 to 17.

EXHIBIT 6b models the effect that GASB 68 would have on the MOFD balance sheet if it were put into effect today.

GASB 68 specifies three changes from today's accounting of pension fund assets and liabilities

1) It moves the net assets or liabilities of the pension plan from the footnotes into the balance sheet.
2) It uses the market value of the pension plan assets, not the smoothed valuation value.
3) It only discounts those liabilities that can paid off by current or projected additions to pension plan assets at the projected asset earning rate; it discounts all other liabilities at the 20 year AA municipal bond earning rate which was 4.46% on 6/30/2013.

Using the CCCERA projected asset earning rate of 7.25% and the projected pay-downs from the most recent MOFD Long Range Financial Plan, Exhibit 6b displays the GASB 68 liability for the pension plan. It also goes two steps beyond GASB 68 in that it (a) splits out the pension assets from the liabilities as opposed to just reporting the net as GASB 68 requires and (b) provides the same analysis for the OPEB liabilities as it makes no sense that the OPEB liabilities be treated differently than the pension liabilities.

The impact of GASB 68 on the current balance sheet (Exhibit 4b), is an increase in OPEB liabilities from $21 million to $28 million and an increase in pension liabilities from $165 million to $177 million; a total increase of $19 million. This is half the increase seen by decreasing the projected asset earning rate to 6.00%, and only $12 million of it (the pension component) will be mandated by GASB 68, but it is still a significant increase which should be anticipated within two years. The Task Force is unsure exactly what GASB 68 tells the decision maker other than showing an increase in liabilities for underfunded plans.

Exhibit 1

MOFD Balance Sheet for Fiscal Year Ending June 30, 2013

Audited Financials

		Est. Audited Financials FYE 6/30/2013
Assets		
Cash and investments		3,523,265
Restricted Cash		2,037,710
Taxes receivable		110,166
Other receivables		842,914
Prepaid Items		24,585,099
Capital Assets		9,314,274
		===========
	Total	40,413,428
Liabilities		
Accounts payable		183,749
Salaries and benefits payable		788,878
Accrued interest		612,698
Due within one year		
Pension Bond		1,425,000
Other		234,761
Long term liabilities (due in over 1 year)		
Pension Bond		22,050,000
Other		352,142
OPEB		6,111,286
		===========
	Total	31,758,514
Net Asset / (Liability)		8,654,914

Exhibit 2

MOFD Balance Sheet for Fiscal Year Ending June 30, 2013

GASB 27 and 45 accounting for pension and OPEB moved out of footnotes into balance sheet

	Audited Financials FYE 6/30/2012 (A)	Revision Discounted (B)	Undiscounted	Discount	note	Change (A)-(B)	note 0	
Assets								
Cash and investments	3,523,265	3,523,265	3,523,265		1	0		
Restricted Cash	2,037,710	2,037,710	2,037,710		1			
Taxes receivable	110,166	110,166	110,166		1	0		
Other receivables	842,914	842,914	842,914		1	0		
Prepaid Items	24,585,099	179,419	179,419		1	(24,405,680)	2	
Capital Assets	9,314,274	9,314,274	9,314,274		1	0		
OPEB		0			1a	0		
	===========	===========	===========	===========		===========		
Total	40,413,428	**16,007,748**	16,007,748	0		(24,405,680)		
Liabilities								
Accounts payable	183,749	183,749	183,749		3			
Salaries and benefits payable	788,878	788,878	788,878		3			
Accrued interest	612,698	612,698	612,698		3			
Due within one year	234,761	234,761	234,761		4			
Long term liabilities (due in over 1 year)								
Pension Bond discounted value	23,475,000	23,475,000			5a			
Pension Bond discount				(6,185,178)	5b	5.22% rate		
Pension Bond total liability			29,660,178		5c			
OPEB discounted value (6/30/2013)	24,104,000	36,963,760			6			
OPEB discount				(27,688,306)	6	3.25% rate		GASB 45
OPEB total liability			64,652,067		6			
Pension Plan net discounted value	45,045,193	45,045,193			9			
Pension Plan discount				(365,262,306)	10	7.25% rate		GASB 27
Pension Plan net total liability			456,384,002		10			
Other	352,142	352,142	352,142		5d			
	===========	===========	===========	===========				
Total	94,796,421	**107,656,181**	552,868,474	(399,135,791)				
Net Asset / (Liability)	(54,382,993)	**(91,648,433)**	(536,860,726)			(24,405,680)		

1) MOFD audited financials 2012/13, Page 10

1a) OPEB liabilities totally unfunded (MOFD audited financials 2012/13, note 12)

2) Prepaid pension contribution (note 14 financial statement). This prepayment is also part of the $119,893,798 of pension plan assets in note 7 financial statement so should be removed as an asset either in footnote 7 or on the balance sheet.

3) MOFD audited financials 2012/13, Page 10

4) MOFD audited financials 2012/13 excluding the 7/1/2013 Pension Obligation Bond principal payment

5a) Pension Bond principal due after 6/30/2013

5b) All intererest due after 7/1/2013

5c) Total payments after 6/30/2013 excluding interest accrued through 6/30/2013

5d) MOFD audited financials 2012/13, Page 10 minus outstanding pension plan principal of $22,050,000

6) Estimate of total OPEB liabilities, based on discounted projections by MOFD actuary Bartel (8/27/2010 report) then scaled up based on retiree medical benifits for FYE 6/30/2013 vs. FYE 6/30/2009 which the report was based on. 31% increase. Then discounted at 3.25% as the Yield on US Treasuries dropped 1% from 6/30/2009 when the Bartel report was produced, and at which time Bartel used a 4.25% discount rate, a 6/30/2013

9) CCCERA 2012 annual report.

10) Estimate of total PensionNet liabilities, not discounted, based on discounted projections by CCCERA using a 7.25% discount rate. Actual projections not available from MOFD.

Exhibit 3

MOFD Balance Sheet for Fiscal Year Ending June 30, 2013

GASB 27 and 45 accounting for pension and OPEB moved out of footnotes into balance sheet

Pension Plan net assets bifurcated into assets and lilbilities; assets moved into asset section

	Audited Financials FYE 6/30/2013 (A)	Revision Discounted (B)	Undiscounted	Discount	note	Change (A)-(B)	note	
Assets								
Cash and investments	3,523,265	3,523,265	3,523,265		1	0		
Restricted Cash	2,037,710	2,037,710	2,037,710		1			
Taxes receivable	110,166	110,166	110,166		1	0		
Other receivables	842,914	842,914	842,914		1	0		
Prepaid Items	24,585,099	179,419	179,419		1	(24,405,680)	2	
Capital Assets	9,314,274	9,314,274	9,314,274		1	0		
Long Term Assets								
OPEB		0			1a	0		
Pension Plan Asset Valuation Value	119,893,798	119,893,798			8a	0	valuation value	
Pension Plan Asset projected earnings				(136,304,608)	8b		7.25% rate	
Pension Plan Assets (future value)			256,198,406		8b			
	===========	===========	===========	===========		===========		
Total	160,307,226	**135,901,546**	272,206,154	(136,304,608)		(24,405,680)		
Liabilities								
Accounts payable	183,749	183,749	183,749		3			
Salaries and benefits payable	788,878	788,878	788,878		3			
Accrued interest	612,698	612,698	612,698		3			
Due within one year	234,761	234,761	234,761		4			
Long term liabilities (due in over 1 year)								
Pension Bond discounted value	23,475,000	23,475,000			5c			
Pension Bond discount				(6,185,178)	5b		5.22% rate	
Pension Bond total liability			29,660,178		5a			
OPEB discounted value (6/30/2013)	24,104,000	36,963,760			6			
OPEB discount				(28,300,156)	6		3.25% rate	GASB 45
OPEB total liability			65,263,916		6			
Pension Plan discounted value	164,938,991	164,938,991			9			
Pension Plan discount				(501,566,915)	10		7.25% rate	
Pension Plan total liability			666,505,906		10			
Accrued Compensation	352,142	352,142	352,142		5d			
	===========	===========	===========	===========				
Total	214,690,219	**227,549,979**	763,602,228	(536,052,248)				
Net Asset / (Liability)	(54,382,993)	**(91,648,433)**	(491,396,073)			(24,405,680)		

1) MOFD audited financials 2012/13, Page 10

1a) OPEB liabilities totally unfunded (MOFD audited financials 2012/13, note 12)

2) Prepaid pension contribution (note 14 financial statement). This prepayment is also part of the $119,893,798 of pension plan assets in note 7 financial statement so should be removed as an asset either in footnote 7 or on the balance sheet.

3) MOFD audited financials 2012/13, Page 10

4) MOFD audited financials 2012/13 excluding the 7/1/2013 Pension Obligation Bond principal payment

5a) Pension Bond principal due after 6/30/2013

5b) All intererest due after 7/1/2013

5c) Total payments after 6/30/2013 excluding interest accrued through 6/30/2013

5d) MOFD audited financials 2012/13, Page 10 minus outstanding pension plan principal of $22,050,000

6) Estimate of total OPEB liabilities, based on discounted projections by MOFD actuary Bartel (8/27/2010 report) then scaled up based on retiree medical benifits for FYE 6/30/2013 vs. FYE 6/30/2009 which the report was based on. 31% increase. Then discounted at 3.25% as the Yield on US Treasuries dropped 1% from 6/30/2009 when the Bartel report was produced, and at which time Bartel used a 4.25% discount rate, a 6/30/2013

8a) CCCERA's 2012 Actuarial Value and Review stated that the Valuation Value of MOFD's pension assets was $119,893,798. That report also stated (Section 1) that while the Valuation Value of all of CCCERA's assets was $5.48 billion, their Market Value was $5.66 billion. With MOFD's assets being a allocated portion of all of CCCERA's assets, the Market Value of MOFD's pension assets is $123,677,386.

8b) Assuming CCCERA's assumed 7.75% earning rate.

9) CCCERA 2012 annual report.

10) Estimate of total PensionNet liabilities, not discounted, based on discounted projections by CCCERA using a 7.25% discount rate. Actual projections not available from MOFD.

Exhibit 4

MOFD Balance Sheet for Fiscal Year Ending June 30, 2013

Pension Plan and OPEB liabilities discounted at a 7.25% discount rate

Pension Plan assets based on market value, not valuation value

	Audited Financials FYE 6/30/2013 (A)	Revision Discounted (B)	Undiscounted	Discount	note	Change (A)-(B)	note
Assets							
Cash and investments	3,523,265	3,523,265	3,523,265		1	0	
Restricted Cash	2,037,710	2,037,710	2,037,710				
Taxes receivable	110,166	110,166	110,166		1	0	
Other receivables	842,914	842,914	842,914		1	0	
Prepaid Items	24,585,099	179,419	179,419		1	(24,405,680)	2
Capital Assets	9,314,274	9,314,274	9,314,274		1	0	
Long Term Assets							
OPEB		0			1a	0	
Pension Plan Asset Market Value	119,893,798	123,677,386			8a	3,783,588	market value
Pension Plan Asset projected earnings				(149,605,534)	8b		7.25% rate
Pension Plan Assets (future value)			273,282,920		8b		
	===========	===========	===========	===========		===========	
Total	160,307,226	**139,685,134**	289,290,668	(149,605,534)		(20,622,092)	
Liabilities							
Accounts payable	183,749	183,749	183,749		3		
Salaries and benefits payable	788,878	788,878	788,878		3		
Accrued interest	612,698	612,698	612,698		3		
Due within one year	234,761	234,761	234,761		4		
Long term liabilities (due in over 1 year)							
Pension Bond discounted value	23,475,000	23,475,000			5c		
Pension Bond discount				(6,185,178)	5b		5.22% rate
Pension Bond total liability			29,660,178		5a		
OPEB discounted value (6/30/2013)	24,104,000	21,186,299			6	(2,917,701)	
OPEB discount				(44,077,617)	6b		7.25% rate
OPEB total liability			65,263,916		6b		
Pension Plan discounted value	164,938,991	164,938,991			9		
Pension Plan discount				(501,566,915)	10		7.25% rate
Pension Plan total liability			666,505,906		10		
Accrued Compensation	352,142	352,142	352,142		5d		
	===========	===========	===========	===========			
Total	214,690,219	**211,772,518**	763,602,228	(551,829,709)			
Net Asset / (Liability)	(54,382,993)	**(72,087,384)**	(474,311,560)		11	(20,622,092)	

1) MOFD audited financials 2012/13, Page 10

1a) OPEB liabilities totally unfunded (MOFD audited financials 2012/13, note 12)

2) Prepaid pension contribution (note 14 financial statement). This prepayment is also part of the $119,893,798 of pension plan assets in note 7 financial statement so should be

3) MOFD audited financials 2012/13, Page 10

4) MOFD audited financials 2012/13 excluding the 7/1/2013 Pension Obligation Bond principal payment

5a) Pension Bond principal due after 6/30/2013

5b) All intererest due after 7/1/2013

5c) Total payments after 6/30/2013 excluding interest accrued through 6/30/2013

5d) MOFD audited financials 2012/13, Page 10 minus outstanding pension plan principal of $22,050,000

6) Estimate of total OPEB liabilities, based on discounted projections by MOFD actuary Bartel (8/27/2010 report) then scaled up based on retiree medical benifits for FYE 6/30/2013 vs. FYE 6/30/2009 which the report was based on. 31% increase. Then discounted at 3.25% as the Yield on US Treasuries dropped 1% from 6/30/2009 when the Bartel report was produced, and at which time Bartel used a 4.25% discount rate, a 6/30/2013

6b) Discounted at the CCCERA assumed earning rate of 7.25%.

8a) CCCERA's 2012 Actuarial Value and Review stated that the Valuation Value of MOFD's pension assets was $119,893,798. That report also stated (Section 1) that while the Valuation Value of all of CCCERA's assets was $5.48 billion, their Market Value was $5.66 billion. With MOFD's assets being a allocated portion of all of CCCERA's assets, the Market Value of MOFD's pension assets is $123,677,386.

8b) Assuming CCCERA's assumed 7.25% earning rate.

9) CCCERA 2012 annual report.

10) Estimate of total PensionNet liabilities, not discounted, based on discounted projections by CCCERA using a 7.25% discount rate. Actual projections not available from MOFD.

11) Net reduces from $92mm to $71mm because (a) market value of pension assets $4mm greater than valuation value used in GASB 27 calculation and (b) 7.25% discount rate used for OPEB liabilites instead of 3.25% rate used in GASB 45 calculation reduces OPEB liability by $16 mm.

Exhibit 4a
MOFD Operations Balance Sheet for Fiscal Year Ending June 30, 2013

		Audited Financials FYE 6/30/2013 (A)	Revision Discounted (B)	Undiscounted	Discount	note	note
Assets							
Cash and investments		3,523,265	3,523,265	3,523,265		1	
Restricted Cash			**included in Retirement Benefit Balance Sheet**				
Taxes receivable		110,166	110,166	110,166		1	
Other receivables		842,914	842,914	842,914		1	
Prepaid Items		24,585,099	179,419	179,419		1	2
Capital Assets		9,314,274	9,314,274	9,314,274		1	
Long Term Assets							
OPEB			0				
Pension Plan Asset Market Value			**included in Retirement Benefit Balance Sheet**				
Pension Plan Asset projected earnings							
Pension Plan Assets (future value)							
		===========	===========	===========	===========		
	Total	38,375,718	**13,970,038**	13,970,038	0		
Liabilities							
Accounts payable		183,749	183,749	183,749		3	
Salaries and benefits payable		788,878	788,878	788,878		3	
Accrued interest			**included in Retirement Benefit Balance Sheet**				
Due within one year		234,761	234,761	234,761		4	
Long term liabilities (due in over 1 year)							
Pension Bond discounted value			**included in Retirement Benefit Balance Sheet**				
Pension Bond discount							
Pension Bond total liability							
OPEB discounted value (6/30/2013)			**included in Retirement Benefit Balance Sheet**				
OPEB discount							
OPEB total liability							
Pension Plan discounted value			**included in Retirement Benefit Balance Sheet**				
Pension Plan discount							
Pension Plan total liability							
Accrued Compensation		352,142	352,142	352,142		5d	
		===========	===========	===========	===========		
	Total	1,559,530	**1,559,530**	1,559,530	0		
Net Asset / (Liability)		36,816,188	**12,410,508**	12,410,508			
Capital Assets net of related debt			9,314,274	9,314,274			
Recievables+Prepayments-Payables			(427,031)	(427,031)			
Liquid Funds			3,523,265	3,523,265			

1) MOFD audited financials 2012/13, Page 10
2) Prepaid pension contribution (note 14 financial statement). This prepayment is also part of the $119,893,798 of pension plan assets in note 7 financial statement
3) MOFD audited financials 2012/13, Page 10
4) MOFD audited financials 2012/13 excluding the 7/1/2013 Pension Obligation Bond principal payment
5d) MOFD audited financials 2012/13, Page 10 minus outstanding pension plan principal of $22,050,000

Exhibit 4b

MOFD **Retirement Benefit** Balance Sheet for Fiscal Year Ending June 30, 2013

Pension Plan and OPEB liabilities discounted at a 7.25% discount rate
Pension Plan assets based on market value, not valuation value

		Audited Financials FYE 6/30/2013 (A)	Revision Discounted (B)	Undiscounted	Discount	note	note
Assets							
Cash and investments							
Restricted Cash		2,037,710	2,037,710	2,037,710		1	
Taxes receivable							
Other receivables							
Prepaid Items							
Capital Assets							
Long Term Assets							
OPEB			0			1a	
Pension Plan Asset Market Value		119,893,798	123,677,386			8a	market value
Pension Plan Asset projected earnings					(149,605,534)	8b	7.25% rate
Pension Plan Assets (future value)				273,282,920		8b	
		===========	===========	===========	===========		
	Total	121,931,508	**125,715,096**	275,320,630	(149,605,534)		
Liabilities							
Accounts payable							
Salaries and benefits payable							
Accrued interest		612,698	612,698	612,698		3	
Due within one year						4	
Long term liabilities (due in over 1 year)							
Pension Bond discounted value		23,475,000	23,475,000			5a	
Pension Bond discount					(6,185,178)	5b	5.22% rate
Pension Bond total liability				29,660,178		5c	
OPEB discounted value (6/30/2013)		24,104,000	20,987,678			6	
OPEB discount					(44,276,238)	6b	7.25% rate
OPEB total liability				65,263,916		6b	
Pension Plan discounted value		164,938,991	164,938,991			9	
Pension Plan discount					(501,566,915)	10	7.25% rate
Pension Plan total liability				666,505,906		10	
Accrued Compensation						5d	
		===========	===========	===========	===========		
	Total	213,130,689	**210,014,367**	762,042,698	(552,028,331)		
Net Asset / (Liability)		(91,199,181)	**(84,299,271)**	(486,722,068)			

1) MOFD audited financials 2012/13, Page 10
1a) OPEB liabilities totally unfunded (MOFD audited financials 2012/13, note 12)
3) MOFD audited financials 2012/13, Page 10
4) MOFD audited financials 2012/13 excluding the 7/1/2013 Pension Obligation Bond principal payment
5a) Pension Bond principal due after 6/30/2013
5b) All intererest due after 7/1/2013
5c) Total payments after 6/30/2013 excluding interest accrued through 6/30/2013

Net position of Pension Bond as of 6/30/2013 includes

Outstanding Principal	23,475,000
Accrued Interest	612,698
Restricted Cash Deposit (equal to 7/1/2013 pmt)	(2,037,710)
Net Balance	22,049,988

5d) MOFD audited financials 2012/13, Page 10 minus outstanding pension plan principal of $22,050,000
6) Estimate of total OPEB liabilities, based on discounted projections by MOFD actuary Bartel (8/27/2010 report) then scaled up based on retiree medical benifits for FYE 6/30/2013 vs. FYE 6/30/2009 which the report was based on. 31% increase. Then discounted at 3.25% as the Yield on US Treasuries dropped 1% from 6/30/2009 when the Bartel report was produced, and at which time Bartel used a 4.25% discount rate, a 6/30/2013
6b) Discounted at the CCCERA assumed earning rate of 7.25%.
8a) CCCERA's 2012 Actuarial Value and Review stated that the Valuation Value of MOFD's pension assets was $119,893,798. That report also stated (Section 1) that while the Valuation Value of all of CCCERA's assets was $5.48 billion, their Market Value was $5.66 billion. With MOFD's assets being a allocated portion of all of CCCERA's assets, the Market Value of MOFD's pension assets is $123,677,386.
8b) Assuming CCCERA's assumed 7.25% earning rate.
9) CCCERA 2012 annual report.
10) Estimate of total PensionNet liabilities, not discounted, based on discounted projections by CCCERA using a 7.25% discount rate. Actual projections not

Exhibit 5b

MOFD **Retirement Benefit** Balance Sheet for Fiscal Year Ending June 30, 2013

Pension Plan and OPEB liabilities discounted at a 6.00% discount rate

Pension Plan assets based on market value, not valuation value

		Audited Financials FYE 6/30/2013 (A)	Revision Discounted (B)	Undiscounted	Discount	note	note
Assets							
Cash and investments							
Restricted Cash		2,037,710	2,037,710	2,037,710		1	
Taxes receivable							
Other receivables							
Prepaid Items							
Capital Assets							
Long Term Assets							
OPEB			0			1a	
Pension Plan Asset Market Value		119,893,798	123,677,386			8a	market value
Pension Plan Asset projected earnings					(97,621,752)	8b	6.00% rate
Pension Plan Assets (future value)				221,299,138		8b	
		===========	===========	===========	===========		
	Total	121,931,508	**125,715,096**	223,336,848	(97,621,752)		
Liabilities							
Accounts payable							
Salaries and benefits payable							
Accrued interest		612,698	612,698	612,698		3	
Due within one year						4	
Long term liabilities (due in over 1 year)							
Pension Bond discounted value		23,475,000	23,475,000			5a	
Pension Bond discount					(6,185,178)	5b	5.22% rate
Pension Bond total liability				29,660,178		5c	
OPEB discounted value (6/30/2013)		24,104,000	24,944,212			6	
OPEB discount					(40,319,704)	6b	6.00% rate
OPEB total liability				65,263,916		6b	
Pension Plan discounted value		164,938,991	198,561,841			9 / 10a	
Pension Plan discount					(467,944,065)	10a	6.00% rate
Pension Plan total liability				666,505,906		10b	
Accrued Compensation							
		===========	===========	===========	===========		
	Total	213,130,689	**247,593,751**	762,042,698	(514,448,946)		
Net Asset / (Liability)		(91,199,181)	**(121,878,655)**	(538,705,850)			

1) MOFD audited financials 2012/13, Page 10
1a) OPEB liabilities totally unfunded (MOFD audited financials 2012/13, note 12)
3) MOFD audited financials 2012/13, Page 10
4) MOFD audited financials 2012/13 excluding the 7/1/2013 Pension Obligation Bond principal payment
5a) Pension Bond principal due after 6/30/2013
5b) All intererest due after 7/1/2013
5c) Total payments after 6/30/2013 excluding interest accrued through 6/30/2013

Net position of Pension Bond as of 6/30/2013 includes

Outstanding Principal	23,475,000
Accrued Interest	612,698
Restricted Cash Deposit (equal to 7/1/2013 pmt)	(2,037,710)
Net Balance	22,049,988

6) Estimate of total OPEB liabilities, based on discounted projections by MOFD actuary Bartel (8/27/2010 report) then scaled up based on retiree medical benifits for FYE 6/30/2013 vs. FYE 6/30/2009 which the report was based on; a 31% increase. Then discounted at an assumed asset earning rate of 6.00%.

6b) Discounted at a more conservative assumed earning rate of 6.00%.
8a) CCCERA's 2012 Actuarial Value and Review stated that the Valuation Value of MOFD's pension assets was $119,893,798. That report also stated (Section 1)
8b) Assuming more conservative 6.00% earning rate.
9) CCCERA 2012 annual report.
10a) Estimated non-discounted liabilities discounted at 6.00%
10b) Estimate of total PensionNet liabilities, not discounted, based on discounted projections by CCCERA using a 7.25% discount rate. Actual projections not available from MOFD.

Exhibit 6b

MOFD **Retirement Benefit** Balance Sheet for Fiscal Year Ending June 30, 2013

Pension Plan and OPEB liabilities discounted using GASB 68 protocol

Pension Plan assets based on market value, not valuation value

	Audited Financials FYE 6/30/2013 (A)	Revision Discounted (B)	Undiscounted	Discount	note	note
Assets						
Cash and investments						
Restricted Cash	2,037,710	2,037,710	2,037,710		1	
Taxes receivable						
Other receivables						
Prepaid Items						
Capital Assets						
Long Term Assets						
OPEB		0			1a	
Pension Plan Asset Market Value	119,893,798	123,677,386			8a	market value
Pension Plan Asset projected earnings				(149,605,534)	8b	7.25% rate
Pension Plan Assets (future value)			273,282,920		8b	
	===========	===========	===========	===========		
Total	121,931,508	**125,715,096**	275,320,630	(149,605,534)		
Liabilities						
Accounts payable						
Salaries and benefits payable						
Accrued interest	612,698	612,698	612,698		3	
Due within one year					4	
Long term liabilities (due in over 1 year)						
Pension Bond discounted value	23,475,000	23,475,000			5a	
Pension Bond discount				(6,185,178)	5b	5.22% rate
Pension Bond total liability			29,660,178		5c	
OPEB discounted value (6/30/2013)	24,104,000	28,371,613			6b	
OPEB discount				(36,892,303)	6b	GASB 68 rates
OPEB total liability			65,263,916		6a	
Pension Plan discounted value	164,938,991	177,024,888			9 / 10a	
Pension Plan discount				(489,481,018)	10a	GASB 68 rates
Pension Plan total liability			666,505,906		10b	
Accrued Compensation						
	===========	===========	===========	===========		
Total	213,130,689	**229,484,198**	762,042,698	(532,558,499)		
Net Asset / (Liability)	(91,199,181)	**(103,769,102)**	(486,722,068)			

1) MOFD audited financials 2012/13, Page 10
1a) OPEB liabilities totally unfunded (MOFD audited financials 2012/13, note 12)
3) MOFD audited financials 2012/13, Page 10
4) MOFD audited financials 2012/13 excluding the 7/1/2013 Pension Obligation Bond principal payment
5a) Pension Bond principal due after 6/30/2013
5b) All intererest due after 7/1/2013
5c) Total payments after 6/30/2013 excluding interest accrued through 6/30/2013

Net position of Pension Bond as of 6/30/2013 includes

Outstanding Principal	23,475,000
Accrued Interest	612,698
Restricted Cash Deposit (equal to 7/1/2013 pmt)	(2,037,710)
Net Balance	22,049,988

6a) Estimate of total OPEB liabilities, based on discounted projections by MOFD actuary Bartel (8/27/2010 report) then scaled up based on retiree medical benifits for FYE 6/30/2013 vs. FYE 6/30/2009 which the report was based on; a 31% increase. Then discounted at an assumed asset earning rate of 6.00%.

6b) Per the GASB 68 protocol, the estimated non-discounted liabilities covered by projected additions to the asset pool ($15 million) are discounted at the assumed CCCERA asset yield rate of 7.25%. The remaining $50 million of liabilities are discounted at the 20 year AA Municipal bond yield rate of 4.46% specified by GASB 68 for unfunded assets.

8a) CCCERA's 2012 Actuarial Value and Review stated that the Valuation Value of MOFD's pension assets was $119,893,798. That report also stated (Section 1)
8b) Assuming CCCERA's assumed 7.25% earning rate.
9) CCCERA 2012 annual report.
10a) Per the GASB 68 protocol, the estimated non-discounted liabilities covered by existing assets and projected additions to the asset pool (the first $545 million) are discounted at the assumed CCCERA asset yield rate of 7.25%. The remaining $121 million of liabilities are discounted at the 20 year AA Municipal bond yield rate of 4.46% specified by GASB 68 for unfunded assets.
10b) Estimate of total PensionNet liabilities, not discounted, based on discounted projections by CCCERA using a 7.25% discount rate. Actual projections not