Table VI-3

MOFD Restated Balance Sheet for Fiscal Year Ending June 30, 2011

	Audited Financials FYE 6/30/2011 (A)	"Common Sense" Revision Discounted (B)	Undiscounted	Discount	note	Change (A)-(B)	note
Assets							
Cash and investments	6,832,290	6,832,290	6,832,290		1	0	
Taxes receivable	105,417	105,417	105,417		1	0	
Other receivables	654,364	654,364	654,364		1	0	
Prepaid Items	26,472,457	127,620	127,620		1	(26,344,837)	2
Capital Assets	8,348,722	8,348,722	8,348,722		1	0	
OPEB		0			1a	0	
Long Term Asset							
Pension Plan (12/31/2010)			212,300,000		8b		
Pension Plan discount @ 6.00%				(95,334,000)	8b		
Pension Plan Fair Value		116,966,000			8a	116,966,000	
	===========	===========	===========	===========		===========	
Total	42,413,250	133,034,413	228,368,413	(95,334,000)		90,621,163	
Liabilities							
Accounts payable	204,310	204,310	204,310		3	0	
Salaries and benefit	808,213	808,213	808,213		3	0	
Accrued interest	672,336	672,336	672,336		3	0	
Due within one year	1,275,321	1,275,321	1,275,321		4	0	
Long term liabilities (due in over 1 year)							
Pension Bond (7/2/2011)			33,421,338		5a		
Pension Bond discount				(8,385,856)	5b		
Pension Bond Fair Value	25,035,482	25,035,482			5c		
OPEB (6/30/2011)			51,793,042		6		
OPEB discount				(26,362,320)	9		
OPEB Fair Value (6/30/2011)	3,493,000	25,430,722			7 / 9	21,937,722	
Pension Plan (12/31/2010)			617,217,595		10		
Pension Plan discount				(381,250,931)	10		
Pension Plan Fair Value		235,966,664			10	235,966,664	
	===========	===========	===========	===========		===========	
Total	31,488,662	289,393,048	705,392,154	(415,999,107)		257,904,386	
Net Asset / (Liability)	10,924,588	(156,358,635)	(477,023,741)		11	(167,283,223)	

1) MOFD audited financials 2010/11, Page 2, Assets, Column 5

1a) OPEB liabilities totally unfunded (MOFD audited financials 2010/11, note 13)

2) Outstanding Pension Obligation Bond balance as of 6/30/2011. The revised statement includes this with the Pension Plan Assets; which it is.

3) MOFD audited financials 2010/11, Page 2, Liabilities, Column 5

4) MOFD audited financials 2010/11, Page 2, Liabilities, Column 5 - includes a 7/1/2011 Pension Obligation Bond principal payment of $1,055,000

5a) All principal and intererest due after 6/30/2011

5b) All intererest due after 6/30/2012

5c) Pension Bond principal due after 6/30/2012 of $24,705,000 plus $330,482 of other (not Pension Obligation Bond) amounts due.

6) Estimate of total OPEB liabilities, not discounted, based on discounted projections by Bartel of $26.34 million using a 4.25% discount rate. Actual projections not available from MOFD.

7) MOFD audited financials 2010/11, Footnote 13.

8a) In a letter dated 10/21/2011, the actuary to MOFD's pension plan administrator (CCCERA) stated that MOFD had assets with an accounting value of $124.64 million. This accounting value "smoothes" the impact of recent extraordinary gains and losses. In its annual report, CCCERA listed the accounting value of its total assets as $5.36 billion but their market value as only $5.03 billion. As MOFD's assets are a portion of CCCERA's assets (and not distinct assets), this means they have a market value of $116.97 million. The payments from this asset balance to pay off currently vested pension liabilities would total $212 million until the current balance would be exhausted in 2030. This assumes a conservative earning rate of 6.00%; 1.75% below CCCERA's existing assumed rate of 7.75% but greater than their 5 year average of 5.3%.

8b) Assuming a 6% earning rate (Table VI-2b) which a Stanford study (footnote ** Table VI-b) indicates there is a 65% chance of acheiving vs. the 42% chance of acheiving a 7.75% earning rate which the pension plan is currently assuming.

9) In its 8/27/2010 letter, MOFD's actuary (Bartel) estimated MOFD's OPEB liability as of 6/30/2011 as $26.34 million using a 4.25% discount rate (based on US Government bond yields). The 10 year average of the US Government 30 year bond yield was 4.50%. Applying that discount rate to the estimated (note 6) projections results in a $25.43 million Fair Value.

10) In the 2010/11 audited financials, the Pension Plan assets and liabilities are "off balance sheet" described Footnote 8). Footnote 8 states that MOFD's pension liabilities are $143 million. This a present value, using a 7.75% discount rate, of 60 years of vested pension benefits which MOFD does not know therefore could not provide to the Task Force. The estimated value of these pension benefits, without discounting, is $620 million. While using a 7.75% discount rate to determine the Fair Value of these benefits is standard accounting practice, it does not make sense. There is no nexus between these liabilities and the assets set aside to fund them. The employees have not accepted the pension plan assets as their payment source. The MOFD taxpayers are fully liable for these payments. Therefore, these liabilities are no different than the OPEB liabilities and should be evaluated using the same discount rate: 4.50%. This produces a Fair Value of $236 million.

11) Although the change in net assets going from a positive $11 million to a negative $156 million appears drastic, it is the "undiscounted" column that should be noted. $705 million in total liabilities. That is 90 times the 2011/12 base salary budget. Discounting those liabilities back at 3.5% (in other words, stating them as uninflated dollars) is still $300 million - 40 times the 2011/12 base salary budget. The current asset pool will only cover $200 million of this $700 million cost if it earns at 6%. Future generations will have to pay for the remaining $500 million.