

Conroe Independent School District

Audit Committee – September 13, 2018



Audit Plan – FY 2018

- **Timing**

- Interim fieldwork – completed the week of July 30, 2018
- Final fieldwork – November 2018
 - Scheduled to commence the week of November 5, 2018
 - Timing consistent with last year
- Presentation to Audit Committee/Board – January 2019

- **Interim fieldwork**

- Preliminary planning procedures and documentation
- Internal controls documentation and testing
- Compliance testing, Single Audit
 - Major program: Child Nutrition
 - Coverage: approximately 43% as of June 30, 2018
 - Last year audited as a major program: 2015
- No compliance or internal control findings or deficiencies identified

Statement No. 75

Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

**Effective Fiscal Year 2017-2018
(now)**

Statement No. 75 – OPEB

Effective this year



- GASB Statement No. 75, effective this year, makes OPEB accounting and financial reporting consistent with the pension standards in Statement No. 68.
 - Requires governments to report a liability on the face of the financial statements for the OPEB that they provide
 - Retroactively applied – restatement
- What is OPEB?
 - Other post-employment benefits (other than pensions)
 - **Conroe ISD's OPEB: TRS-Care** retiree healthcare benefits
- TRS-Care is a **cost-sharing multiple-employer** defined benefit postemployment health care plan, **administered through a trust**
 - Participating employers recognize their “**proportionate share**” of the collective net OPEB liability of the plan, and related deferred outflows and inflows of resources

Statement No. 75 – OPEB

Effective this year



Proportion: Based on contributions

Participating employers – Pension vs. OPEB:

Pension – TRS:	1,325	} CISD proportion for OPEB = larger than CISD proportion for pension
OPEB – TRS Care:	1,217	

Fiscal year 2017 amounts – for reporting in fiscal year 2018:

	Pension TRS	OPEB TRS Care
Employer contributions - total	\$ 1,588,309,000	\$ 215,361,000
State contributions - total	1,697,963,000	319,320,000
	<hr/> 3,286,272,000	<hr/> 534,681,000
CISD contributions:	\$ 10,012,247	\$ 2,044,000
Estimated proportion - CISD:	0.30%	0.38%
Actual proportion - CISD:	0.31%	0.39%

Statement No. 75 – OPEB

Effective this year



Fiscal year 2018:

From TRS 2017 CAFR:

	Pension TRS	OPEB TRS Care
Total plan liability:	\$ 179,366,534,819	\$ 43,885,784,621
Less: Plan fiduciary net position:	(147,361,922,120)	(399,535,986)
Net plan liability:	32,004,612,699	43,486,248,635

CISD estimates – for 2018 CAFR:

CISD proportion	0.30%	0.38%
Net liability - CISD	\$ 97,508,084	\$ 166,240,978
CISD proportion	0.31%	0.39%
Net liability - CISD	\$ 97,679,904	\$ 171,016,770

Statement No. 75 – OPEB

Effective this year



Fiscal year 2018:

	<u>Estimated</u>	<u>Actual</u>
Proportionate share of the TRS Care net OPEB liability:	\$ (166,240,978)	\$ (171,016,770)
Proportionate share of the TRS Care net deferred inflows of resources:	(68,811,123) ¹	(71,536,638)
Deferred outflows of resources:	2,800,000 ²	2,826,768
	<u>\$ (232,252,101)</u>	<u>\$ (239,726,640)</u>

1. Estimated TRS Care net deferred inflows of resources of \$18 billion times estimated District proportion of 0.38%.
2. Estimated contributions after the measurement date - FY 2017 contributions of \$2,044,000 adjusted for rate increase from 0.55% to 0.75%.

Estimated CISD contributions:	2,800,000
CISD share of TRS Care deferred outflows:	<u>26,768</u>
	2,826,768

Statement No. 75 – OPEB

Effective this year



Fiscal year 2018:

		Cash and investments	299,015,355
		Capital assets (net)	1,165,362,880
		Outstanding bonds (net of premium)	(1,275,329,495)
		Other assets and liabilities (net)	<u>31,683,036</u>
			220,731,776
Impact on beginning net position:			
		OPEB	Pension
Net position - beginning of year, as previously reported	\$ 155,164,294	\$ -	\$ (65,567,482)
			Other - net
			\$ 220,731,776
Effect of GASB 75:			
Net OPEB liability - 8/31/17	(301,921,470)	(301,921,470)	-
Contributions after measurement date - 8/31/17	<u>2,044,596</u>	<u>2,044,596</u>	-
Net effect on beginning net position	<u>(299,876,874)</u>	<u>(299,876,874)</u>	<u>-</u>
Net position - beginning of year, as restated	<u>\$ (144,712,580)</u>	<u>\$ (299,876,874)</u>	<u>\$ (65,567,482)</u>
			<u>\$ 220,731,776</u>
Impact on ending net position:			
		\$ (239,726,640)	\$ (70,884,944)
Impact on change in net position:			
		\$ 60,150,234	\$ (5,317,462)
Total change in net position - FY 2017			
		\$ 13,794,261	

Statement No. 75 – OPEB

Effective this year



What to expect?

Implementation of GASB 75 – applies to all participants in TRS Care

- All will report OPEB liability greater than pension liability
- Fewer participants, larger net plan liability

Increase in rates?

	Pension TRS	OPEB TRS Care
Total plan liability:	\$ 179,366,534,819	\$ 43,885,784,621
Less: Plan fiduciary net position:	(147,361,922,120)	(399,535,986)
Net plan liability:	32,004,612,699	43,486,248,635

Plan fiduciary net position as a percent of total plan liability:	82%	1%
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- Increase already implemented for FY 2017 – 2018
 - State contribution – increase of 0.25%
 - Employer contribution – increase of 0.20%
- Supplemental appropriations at State level

Statement No. 87

Leases

**Effective Fiscal Year 2020-2021
(three years away)**

Statement No. 87 – Leases

Effective in three years

Why?

- FASB updated their lease standards.

Single Model Approach

- Leases are no longer classified as “operating” or “capital”
- Assumption is that a lease is a financing arrangement
- Excludes short-term leases and certain other exclusions

Under GASB 87, a lessee is required to recognize a **lease liability** and an **intangible right-to-use lease asset**, and a lessor is required to recognize a **lease receivable** and a **deferred inflow of resources**.

Retroactively applied - restatement

Questions?

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