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MEMBER AICPA

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OF CPAS

September 20, 2017

Bradley Cherry, Manager Finance and Accounting
Grayson Rural Electric Cooperative Corporation
109 Bagby Park
Grayson, Kentucky 41143

Dear Bradley:

Please find enclosed the actuarial valuation results as of May 31, 2017 for Financial Accounting Standards Boards' Accounting Standards Codification ("ASC") 715 - *Compensation - Retirement Plans*.

The annual accrual should be \$279,924 as follows:

	<u>Debit</u>	<u>Credit</u>
<i>Monthly entry for 2017-18</i>		
926 Employee benefits	\$ 23,327	
214.00 Accum other comprehensive income		\$ 1,943
228.30 Postretirement benefits other than pensions		\$ 21,384
Record postretirement benefits.		

The adjustment for postretirement benefits as of June 1, 2017 is as follows:

228.30 Postretirement benefits other than pensions	\$ 394,994	
214.00 Accum other comprehensive income		\$ 394,994
Record SFAS No. 158 adjustments		

If you have any questions or would like to discuss these results, please give me a call.

Sincerely,

Dudley Shryock

W. Dudley Shryock, CPA

Exhibit I
Grayson Rural Electric Cooperative
SFAS No. 106/158 Financial Statement Disclosures
May 31, 2017

Net Periodic Benefit Cost

1.	Service cost	\$ 184,812
2.	Interest cost	142,946
3.	Expected return on plan assets	-
4.	Amortization of transition obligation	-
5.	Amortization gain / (loss)	85,087
6.	Net periodic benefit cost	<u>\$ 412,845</u>

Change in Accumulated Benefit Obligation

1.	Accumulated benefit obligation, beginning	\$ 3,234,435
2.	Service cost	184,812
3.	Interest cost	142,946
4.	Expected return on plan assets	
5.	Amortization of transition obligation	
6.	Amortization gain / (loss)	
7.	Plan amendments	
8.	Disbursements	(157,802)
9.	Accumulated other comprehensive income, initial	-
10.	Accumulated other comprehensive income	(394,994)
11.	Accumulated benefit obligation, ending	<u>\$ 3,009,397</u>

Change in Fair Value of Plan Assets

1.	Fair value of plan assets, beginning	
2.	Actual return on plan assets	
3.	Employer contributions	
4.	Benefits paid	
5.	Administrative expenses	
6.	Fair value of plan assets, ending	<u>\$ -</u>

Exhibit 2
 Grayson Rural Electric Cooperative
 SFAS No. 106/158 Financial Statement Disclosures
 May 31, 2017

Benefit obligations at end of year

1.	Accumulated benefit obligation (APBO)	\$ 3,009,397
2.	Expected benefit obligation (EPBO)	\$6,947,472

Statement of funded status

1.	Accumulated benefit obligation (APBO)	\$ (3,009,397)
2.	Fair value of plan assets	-
3.	Funded status of plan	<u>\$ (3,009,397)</u>

Amounts recognized in the statement of financial position

1.	Noncurrent assets	\$ -
2.	Current liabilities	-
3.	Noncurrent liabilities	3,009,397
4.	Funded status	<u>\$ 3,009,397</u>

Amounts recognized in accumulated other comprehensive income

1.	Net loss (gain)	\$ 466,252
2.	Transition obligation	-
3.	Total	<u>\$ 466,252</u>

**Other changes in plan assets and benefit obligations
 recognized in other comprehensive income**

1.	Beginning of year	<u>\$ 946,333</u>
2.	Net loss (gain)	(394,994)
3.	Amortization of net loss (gain)	(85,087)
4.	Amortization of transition obligation	-
5.	Total recognized in other comprehensive income	<u>(480,081)</u>
6.	End of year	\$ 466,252

**Grayson Rural Electric Cooperative
Medical Insurance Premiums
SFAS 106 Obligation as of May 31, 2017**

	<u>Total</u>
A. Accumulated Postretirement Benefit Obligation (APBO) as of May 31, 2017	
1. Actives not yet eligible	\$ 1,329,663
2. Actives fully eligible	344,980
3. Retirees and dependents	<u>1,334,754</u>
4. Total APBO	3,009,397
B. Future accruals	<u>3,938,075</u>
C. Total Expected Postretirement Benefit Obligation (EPBO) (A4 + B)	<u>\$ 6,947,472</u>
D. Accrued Postretirement Benefit Cost	
Balance June 1, 2016	3,234,435
Accrual	327,758
Payout	<u>(157,802)</u>
Balance May 31, 2017	3,404,391
Accumulated comprehensive income	<u>(394,994)</u>
Adjusted balance May 31, 2017	3,009,397
Accrual for 2018	256,611
Estimated payout	<u>(172,980)</u>
Estimated balance May 31, 2018	<u>3,093,028</u>

Grayson Rural Electric Cooperative
Medical Insurance Premiums
SFAS 106 Obligation as of May 31, 2017

FAS 106 Expense Components

1. Service cost	\$ 111,679
2. Interest cost	144,933
3. Expected return on assets	-
4. Amortization of transition obligation	-
5. Amortization of actuarial (gain) / loss	<u>23,313</u>
6. Total FAS 106 expense	<u><u>\$ 279,924</u></u>
7. Expected pay-as-you-go expense	<u><u>\$ 172,980</u></u>

Alternate assumptions:

Impact on obligations and expense of a health care cost trend increase of 1%

	Current <u>Plan</u>	Alternate <u>Assumptions</u>	<u>% Change</u>
APBO	3,009,397	3,205,000	6.5%
EPBO	6,947,472	7,400,000	6.5%
SFAS 106 Expense	279,924	298,000	6.5%

Payments for the next five (5) years are as follows:

2018	172,980
2019	152,222
2020	160,595
2021	169,427
2022	178,746

Grayson Rural Electric Cooperative

Actuarial Assumptions and Methods Retiree Health Plan

Covered Groups All eligible employees.

Eligibility Employees who reach normal retirement age.

Spouse/Dependent The Major Medical & Hospitalization Plan. At the death of a retired employee, coverage will be provided to the Spouse and eligible dependents at no cost, until other coverage is available to the Spouse/Dependents through an employer, remarriage, or until the Dependent child reaches the age where he/she is no longer eligible for coverage. When the individual becomes eligible for Medicare, it shall be primary and Grayson Rural Electric Cooperative Corporation's coverage shall be secondary.

Medicare At age 65 retirees will commence with Medicare coverage.

Mortality - Used RP 2014 Blue Collar Mortality Tables, updated with Scale MP – 2016 Rates.

Retirement and Withdrawals Estimate that employees will retire at age 62 and will be replaced in the normal course of business.

Terminations Rates vary by attained age for employees. Sample rates are as follows:

<u>Age</u>	<u>Rate</u>	<u>No. of Employees</u>
20	15%	3
30	7%	7
40	3%	13
50	1%	16
60	0%	<u>5</u>
		<u>44</u>

Discount Rate 4.75% per year.

Medical Inflation Rate 5.0% for the first year, then decreasing by 0.25% per year until level at 3% per year.

Grayson Rural Electric Cooperative

Actuarial Assumptions and Methods Retiree Health Plan

Eligibility Classes Based on employees and retirees as of May 31, 2017, are as follows:

	<u>Employees</u>
Actives not fully eligible	40
Actives fully eligible	4
Retirees and dependents	<u>29</u>
Total	<u>73</u>

