OTHER POST-EMPLOYMENT BENEFITS (OPEB)
GASB 75 for Local Governments

This testing strategy of GASB 75 is ONLY applicable to local governments.

GASB 75 is effective for fiscal years ending on or after June 30, 2018. This statement replaces GASB 45 and aligns the accounting and financial reporting requirements for OPEB with those for pensions. OPEB includes postemployment health care benefits (including medical, dental, vision, hearing and other health related benefits) whether provided separately from or provided through a pension plan. OPEB also includes other forms of postemployment benefits such as death benefits, life insurance, disability, and long-term care that are paid in the period after employment when provided separately from a pension plan. OPEB does not include termination benefits or leave buyouts (which are accounted for under GASB 47).

OPEB may be stated as a specified dollar amount, as an amount that is calculated based on one or more factors such as age and years of service, a type or level of coverage such as prescription drug coverage, or a percentage of health insurance premiums. OPEB includes direct payment of benefits as well as explicit and implicit rate subsidies (grouping retirees and active members when determining premiums). In the case of an implicit rate subsidy, even if the retirees pay 100% of their premiums, the employer is providing OPEB.

Auditors may contact the Pension/OPEB experts with questions or for assistance with auditing OPEB Liabilities.

To determine whether OPEB is properly reported, auditors are **required** to perform the following steps:

Step 1: Determine if the government provides any OPEB

Discuss retirement benefits with Human Resources personnel and confirm information with Finance personnel. Auditors should specifically ask if the government has any of the following situations:

- PEBB – All member employers of the state's Public Employees Benefits Board (PEBB) plan provide OPEB through the plan's implicit and explicit rate subsidies for retirees. See List of PEBB Member Employers. Not applicable.
- LEOFF 1 – Per RCW 41.26.150(1), LEOFF 1 employers pay 100% of the necessary medical services for their LEOFF 1 retirees. Any LEOFF 1 employer (see DRS PEFI for current list) that still has LEOFF 1 retirees or survivors should report an OPEB liability. The City administers one single employer defined benefit plans covering post-retirement health care and long-term care in accordance with state statute to retired police and fire employees who are eligible under the Police Relief and Pension Fund and Firefighter's Pension Fund through Law Enforcement Officers & Fire Fighters Plan 1 (LEOFF 1).
- AWC and WCIF – Ask whether the government pays any premiums for retirees as part of these plans. The AWC and WCIF plans no longer include an implicit rate subsidy. However, governments (especially those with LEOFF 1 retirees) may still provide OPEB through these plans by direct payment of benefits. We spoke to Jordan Sherman, Internal Auditor for the City, and determined that this was not applicable.
- Defined contribution or non-governmental plans – Is the government making contributions to any OPEB plans that are not sponsored by the government, such as a union sponsored plan or a VEBA (voluntary employees' beneficiary association)? We spoke to Jordan Sherman, Internal Auditor for the City, and determined that this was not applicable.
- If there are any other situations in which retirees receive an ongoing benefit (other than one-time payouts upon retirement, which should be recognized as compensated absences or termination payments, or deferred compensation plans) We spoke to Jordan Sherman, Internal Auditor for the City, and determined that this was not applicable.

- If there are any other situations in which retirees are allowed to remain in the plan and either don't pay 100% of their monthly healthcare premiums or are rated in the same pool as active employees (that is, everyone is paying the same premium, which would indicate the employer has an OPEB liability due to an implicit rate subsidy). We spoke to Jordan Sherman, Internal Auditor for the City, and determined that this was not applicable.
- COBRA – COBRA is a federal requirement which is temporary and would be accounted for under GASB 47 as termination benefits. OPEB excludes terminated benefits, therefore, not applicable.

  This procedure should be performed regardless of whether the government has previously reported OPEB, since they may have had changes in the plan(s).

For each identified plan, gain an understanding of the type of plan and arrangement by completing the Pension & OPEB Plans spreadsheet in the permanent file. See: Pension & OPEB Plans

If the government does not have any OPEB, no further procedures are needed.

Step 2: Take required training

Unless the only OPEB consists of defined contribution and/or non-government plans (see Step 3), auditors who are auditing this area for the first time should take the following trainings:

- GASB 75 - Auditing Plans without a Qualifying Trust self-study training
- Pension and OPEB Reporting from the Auditors and Actuaries Perspectives self-study training

Auditors should be familiar with the Pension & OPEB Planning Guide. Auditors should also be familiar with GASB 75, which is the accounting criteria.

Auditors should also be familiar with the relevant part of AICPA's *Audit Guide for State and Local Governments* (AAG-SLV) Chapter 14, which provides audit guidance and procedures for consideration. The chapter is organized into four parts:

- **Part 1 if you are auditing an OPEB plan**. We are not currently aware of any OPEB plans that publish an audited report. Not applicable
- **Part 2 if you are auditing a government participating in a single or agent employer plan administered through a qualifying trust.** We are aware of only a few single employer plans that are administered through a qualifying trust. Not applicable
- **Part 3 if you are auditing a government participating in a cost-sharing plan.** We are not currently aware of any cost-sharing OPEB plans operating in the state. Not applicable
- **Part 4 if you are auditing a government participating in a plan NOT administered through a qualifying trust (example: PEBB).** This is the most common type of OPEB plan in the state. Noted, applicable

The auditor performing the GASB 75 work has completed the required trainings.

Step 3: Non-governmental or Defined Contribution plans

Participating employers report no OPEB liability, deferred outflows, or deferred inflows. OPEB expense is equal to contributions to the plan during the period. Any unpaid required contributions at year-end would be reported as a payable.

  Defined contribution and non-governmental plans are only reported if the government participates by contributing to the plan. If only the employees contribute, then the employer is not a participant and no reporting or disclosure is required.

For defined contribution plans: - No defined contribution plans identified.

- Read notes to determine whether disclosures agree with information obtained during the course of the audit and are clearly expressed (understandable, rather than confusing or misleading)
- Compare note disclosures against the BARS example to ensure all required information is included. BARS instructions and example notes for defined contribution OPEB plans is here:

  www.sao.wa.gov/bars_gaap/reporting/notes-to-financial-statements/note-x-pension-plans-defined-contribution/

For non-governmental plans: - No non-governmental plans identified.

- Read notes to determine whether disclosures agree with information obtained during the course of the audit and are clearly expressed (understandable, rather than confusing or misleading).
- Compare note disclosures against the BARS example to ensure all required information is included. BARS instructions and example notes for non-governmental OPEB plans is here:

  www.sao.wa.gov/bars_gaap/reporting/notes-to-financial-statements/note-x-pension-plans-nongovernmental-plans-pensions-provided-through-certain-multiple-employer-defined-benefit-pension-plans/

- Check that the 10-year schedule of employer contributions is included in RSI.

No further procedures are necessary for non-governmental or defined contribution plans.

Step 4: Identify Material Balances and Understand Controls

OPEB liabilities and related line items are anticipated to be identified as a material balance in the year of implementation.

- Identify material balances on the Material Balances Spreadsheet in planning. We identified the material balances here: FY 2021 Material balances & Analytical

  - OPEB Liability due in more than one year: $44,906,257 - Valuation/Classification
  - OPEB Liability due in one year: $1,640,288 - Valuation/Classification

- Gain an understanding of controls over OPEB reporting in the perm file folder. We documented our understanding and confirmation of controls over OPEB reporting here: Controls - OPEB

  Expected key controls for all assertions are as follows. We also recognize that there is an inherent control provided by active members and retirees, who continuously affirm the information by receiving (or not receiving) benefits. Specific expectations may depend on the size and complexity of the plan and whether it is administered by a professional plan administrator (such as PEBB).

  - *Assigned staff have performed research or taken training as needed to gain a sufficient understanding of the government's plans and GASB 75 requirements.*
  - *Identify and understand OPEB plans.*
  - *Procuring a qualified actuary who has experience with GASB 75.*
  - *Providing the actuary with correct plan description and census data.*
  - *Reviewing the actuary's report or otherwise walking through the actuary's report with them in a meeting or presentation in order to confirm that methods, assumptions and results are reasonable.*
  - *Using the work of the actuary to prepare financial statements, notes and RSI.*

- *Maintaining spreadsheets to document allocations between funds (as needed) and track to deferred inflow and outflow amortizations (in subsequent years after implementation).*

Expected compensating controls may include:

- *Using BARS guidance and templates when preparing financial statements, notes and RSI.*
- *Worksheets, binders or other documentation that demonstrates reviews, reconciliations and preparation steps.*
- *Review of documentation and calculations by another knowledgeable person.*

Suggested confirmation for expected key controls are as follows. Although auditors will essentially be re-performing controls, we would normally set control risk at max since the nature of the work (that is, evaluation of judgments and the ability to rely on the work of a specialist) is more appropriately considered substantive testing.

- *Knowledge of assigned staff is normally demonstrated during inquiry and reviewing the government's documentation showing they correctly identified and understand their OPEB plans (see Step 1).*
- *Controls over the procurement of the actuary could be demonstrated in the government's RFP or evident in the actuary's report (see Step 6).*
- *Review of the actuary's methods, assumptions and results could be demonstrated by inquiry, presentation documents, or the auditor's evaluation of these same factors (see Step 6).*
- *Use of the actuary's work to prepare the statements could be demonstrated by inquiry and the statements matching the actuarial report (see Step 5).*
- *Maintenance of spreadsheets or other documents could be demonstrated by obtaining and scanning them.*

Step 5: Trace the actuarial valuation report to financial statements

***In the year of implementation**, both beginning and ending OPEB amounts are required. A single actuarial valuation may be used to determine both the ending and beginning balances (by rolling back from the ending balances). See GASB Implementation Guide 2017-3, Q&A 4.499.*

An actuarial valuation is required to determine amounts for the OPEB liability, deferred outflows, deferred inflows, and OPEB expense. The valuation report should also include information for the note disclosure such as actuarial assumptions used, sensitivity analysis of the discount rate and the health care cost trend rate (if applicable), and the amortization of the deferred outflows and deferred inflows.

- Obtain the latest actuarial valuation report (or alternative method valuation) and tie to the financials. We obtained the latest actuarial valuation reports linked here: Milliman Fire and Milliman Police . We tied the reports to the financials in the table below without exception:

Pension	OPEB Liability	FS Current	FS Non-Current	Variance
Police	$ 17,868,750	$ 1,640,288	$ 44,906,257	$ -
Firefighters	$ 28,677,795			
TOTAL	**$ 46,546,545**		**$ 46,546,545**	$ -

Note that BARS 3.4.17.100 includes instructions for governments to implement GASB 75, including example journal entries.

- If applicable, verify whether a current portion of the total OPEB liability is properly reported. Note

– this applies to total OPEB liabilities; not net OPEB liabilities.

__Note__: plans administered through a qualifying trust report "net OPEB liability" because there is fiduciary net position (in the trust) to net against the total OPEB liability. The entire net OPEB liability is a non-current liability. Plans __not__ administered through a qualifying trust report "total OPEB liability" because there are no plan assets or fiduciary net position. The "total OPEB liability" should be allocated between __current and non-current liabilities**__ in the financial statements. Since there is no trust fund to make the benefit payments, the employer is making the payments. So the amounts expected to be due within one year are current liabilities. The current portion is an estimate typically done by the actuary.*

We identified both "Total OPEB liabilities due within one year" and "Total OPEB liabilities due in more than one year" on the financial statement. As noted in the table above, the two values tie to the total OPEB liabilities in the actuary reports. We obtained the current portion estimate spreadsheet from the City and tied the estimated current portion to the amount from the table above. We reviewed the cell calculations from the spreadsheet and determined that the calculation method the City used appeared reasonable.

- If the alternative method was used, verify that the entity has fewer than 100 participants (actives + retirees) as of the beginning of the fiscal year. – Not applicable.

  Plans with less than 100 participants (actives + retirees) as of the beginning of the fiscal year have the option to use the alternative measurement method in lieu of a professional actuarial valuation. Under this method, only the OPEB liability is calculated. There are no deferred outflows and inflows other than the deferred outflow for payments subsequent to the measurement date. PEBB member employers or LEOFF 1 employers with less than 100 participants (actives + retirees) as of the beginning of the fiscal year may use the __on-line calculation tools__ provided by the Office of the State Actuary (OSA). These tools are __only__ available for use by PEBB and LEOFF 1 employers, and should __only__ be used by those with fewer than 100 participants.

  Note that plans administered through a qualifying trust report "net OPEB liability" because there is fiduciary net position (in the trust) to net against the total OPEB liability. The entire net OPEB liability is a non-current liability. Plans not administered through a qualifying trust report "total OPEB liability" because there are no plan assets or fiduciary net position. The "total OPEB liability" should be allocated between current and non-current liabilities in the financial statements. Since there is no trust fund to make the benefit payments, the employer is making the payments. So the amounts expected to be due within one year are current liabilities. For entities using the OSA tools, the current portion can be estimated by multiplying the first-year projected monthly subsidy calculated on the Additional Disclosures tab by 12.

- Verify the measurement date was no earlier than the end of the employer's prior fiscal year, and the valuation date (for either the actuarial report or alternative method) was no earlier than 30 months and 1 day prior to the employer's fiscal year end.

Financial statement date	12/31/21
Measurement date	12/31/21
Valuation date	1/1/2021

  Actuarial valuations should be performed at least biennially. The valuation date can be no more than 30 months and 1 day prior to the employer's reporting date. The Total OPEB Liability should be measured as of a date (the measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from year to year. When the valuation date is prior to the measurement date, update procedures must be used to roll forward the valuation to the measurement date for the employer's reporting. Professional judgment should be used to determine the specific update procedures to be used (the roll forward is usually done by the actuary).

Step 6: Rely on Work of Specialist

Complete the Rely on Work of Specialist step in TM. In performing this step, auditors should specifically consider the following. See: Rely on Specialist

When assessing the competence, capabilities and objectivity of the actuary, the auditor should specifically document the following evaluation procedures:

- Whether the valuation was performed by a credentialed actuary who has experience working with GASB 75.

  Our Office has had long experience working with Milliman and the Office of the State Actuary, who are known to be qualified and have experience with Washington OPEB plans reported in accordance with GASB. Auditors should contact the Pension/OPEB expert if they have any questions regarding the qualifications of the actuary.

  The City uses Milliman for their actuarial reports.

When understanding the actuary's work and conclusions:

- A copy of the Actuarial Certification Letter or report should be included in the workpapers. Auditors should review the report and verify the following elements were included. If there are irregularities with the report, contact a Pension/OPEB expert or TAS to determine impact to audit and to consider follow-up inquiry with the actuary.

Expected elements in Actuarial Certification Letter	Yes/No	Notes
Addressed to Employer	Yes	
Statement that measurements and disclosures were prepared in accordance with GASB 74 or 75	Yes	
Statement indicating that the report is in accordance with the Actuarial Standards of Practice (ASOP)	Yes	
Report does NOT include any exclusions or qualifications on the scope of the actuary's work or in relation to actuarial methods, assumptions or census data.	Yes	
An opinion that the actuarial assumptions are reasonable	Yes	
The results fully and fairly disclose the information required by GASB 74 or 75	Yes	
Statement about the actuary's credentials and that the actuary meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion.	Yes	
Description of plan, key provisions and other information used by the actuary for the valuation of the plan appear in line with our understanding of the plan.	Yes	

- Auditors should **consider** direct inquiry with actuaries other than the State Actuary. Auditors can use the optional GASB 75 - Letter to Actuary template in the TeamStore for this, if needed.

  Auditors should consider direct inquiry with the actuary when reviewing a unique OPEB plan, working with an unfamiliar actuary or when the auditor has risk indicators or questions that would *benefit from such an inquiry. If direct inquiry is needed with the State Actuary, contact the Pension-OPEB experts for assistance.*

This plan does not appear to be unique. We believe the report provides an adequate basis for determining our ability to rely on the actuary for valuation of the related balances.

- Evaluate the reasonableness of the discount rate used.

  For plans without a qualifying trust (that is, "pay-as-you-go" such as PEBB), the discount rate should be the yield for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (GASB 75 par 155). This rate can be checked here (see the PDF document). For plans with a qualifying trust, the discount rate should be the long-term expected rate of return on plan assets (based on historical returns and the current mix of investments), up to the point where assets are projected to be used up, after which it should be the municipal bond rate (GASB 75 par 83).

  We noted that the actuary utilized a 2.00% discount rate for FY 21 for both reports. This appears reasonable based on our review of prior year's reports with this entity. We also confirmed that it agrees within a reasonable variance with the rate provided at the link below.

- Evaluate the reasonableness of actuarial methods described and key assumptions, such as mortality, healthcare cost trend rate and participation/acceptance rate of benefits.

  The "entry age actuarial cost method" should be used (GASB 75 par 156). We would expect that key assumptions would be based on actuarial experience studies that are unique to the plan.

  We noted that the actuary utilized the Pub-2010 Safety Mortality Table (headcount-weighted) with ages set back one year for males is used for healthy annuitants. Pub-2010 Safety Disabled Mortality Table is used for disabled annuitants. A blend of rates from Pub-2010 Mortality Tables for contingent annuitants and retirees is used for surviving spouses. Mortality rates are projected forward generationally using the ultimate rates in Projection Scale MP-2017.

  This appears reasonable based on our review of prior year's reports with this entity.

- Tie out census data provided to the actuary by the entity to source payroll reports or reports provided by the plan administrator.

  If records are kept by the employer (such as with AWC, WCIF or LEOFF 1 plans), we would tie out what the entity sent to the actuary to the payroll reports used to generate the list. If records are kept by the plan administrator (such as with PEBB), the auditor would review the entity's data request to the plan administrator (for example, the Health Care Authority with PEBB) and tie out what the entity received to what they sent to the actuary.

  The most recent valuation was completed as of 1/1/2021. We obtained the spreadsheet documenting all information provided to the actuary which was signed by the Principal Actuary and the City's Accounting Manager. The spreadsheet is a form that the actuary sent to the City to fill out with all the necessary information. We reviewed each tab of data and noted that the City had copied and pasted the supporting documents such as trial balances from Workday next to the forms and we tied the amounts entered into the form to the numbers in the reports.

- Scan the census data reports or files provided to the actuary to evaluate whether it appears to represent the correct population, includes all relevant elements, and doesn't appear to have any obvious errors, based on our understanding of the plan.

Auditors should consider whether the list appears complete compared to total payroll and what employees are covered by the plan. Auditors should also consider whether the list appears to have employees included that would <u>not</u> be covered by the plan.

We scanned the spreadsheet provided to the actuary and, based on our understanding of the plan, it appears to represent the correct population, includes all relevant elements, and doesn't appear to have any obvious errors. We reviewed the census data in the Notes and noted that the total number of employees receiving benefits decreased by 4 people which is consistent with our conversations with the City's Internal Auditor and our expectations as time moves forward we would expect the number to decrease due to deaths.

- If any census data was provided from the employer's records (rather than from the plan administrator), auditors should also trace at least one of these records to source personnel records to confirm our understanding of what the records look like and help inform our risk assessment.

  We haphazardly selected Maureen Baker and Wayne Monroe and traced the data provided to the actuary to source records within Workday without concern.

- If auditors see errors or risks that require follow-up, they may decide to test a selection or sample of census data. However, we are anticipating this will be rarely needed.

  We recognize there's an inherent control over recordkeeping in that both active and inactive members are receiving health care benefits.

  We noted no errors or risks requiring additional follow up.

- Evaluate the reasonableness of actuarial conclusions about the OPEB liability. Specifically - unless the payroll is an insignificant part of operations or only a small percent of employees are covered by the plan - we would expect the total OPEB liability to be significant. If not, auditors should closely consider whether any assumptions represent a bias toward decreasing the size of the liability.

  The OPEB liability appears reasonable given the number of retirees for both plans.

Step 7: Test allocation of OPEB amounts to funds and activities (as applicable)

For GAAP statements that include multiple opinion units, OPEB balances should be allocated between governmental and business-type activities in the government-wide statement of net position. OPEB expense should be allocated to the appropriate activities in the government-wide statement of activities. And OPEB amounts should be reported in the specific funds they are related to and expected to be paid from in proprietary and fiduciary funds. OPEB amounts, other than actual payments, <u>should not</u> be reported in governmental funds.

Not applicable. LEOFF 1 retirees are 100% government Public Safety expenses and GASB 75 OPEB balances are reported completely within Governmental Activities on the Statement of Net Position and are not reported in governmental funds, other than actual payments.

Test allocation of OPEB amounts to funds and activities by:

- Understanding and evaluating the reasonableness of the allocation methodology.

  For example, allocating based on current benefit payments or payroll headcount are both common approaches that would normally be considered reasonable.

- Testing mathematical accuracy of formulas used and tracing amounts to the financial statements.

- **In the Year of Implementation** – In the first year of reporting under GASB 75, employers must make a direct adjustment to equity for the net effect of beginning balances of the OPEB liability and any relevant deferred inflows and outflows. This adjustment should also include the removal of any OPEB Obligation that existed under GASB 45.

  Note that BARS 3.4.17.100 includes instructions for governments to implement GASB 75, including example journal entries.

  Not applicable – this is not the year of implementation

- **In Subsequent Years** - The allocation methodology may result in annual changes to OPEB amounts between funds similar to changes in proportionate share in a cost-sharing plan. Entities may establish deferred outflows/inflows for these changes and amortize them over the remaining service life of the plan, or they may expense them in the current year. SAO recommends the effect of these changes in allocation percentages from year to year be expensed in the current year.

  OPEB related to Firefighters is reported in the Fire fund and Police are reported in the Police fund. This is not a true allocation because they are both within the Governmental Activities fund on the financial statements. We obtained the City's supporting spreadsheet for the GL adjustments made (Support for Fire & Police Net Pension Adjustment 2021 spreadsheet). We agreed the total net pension liability for 2020 to prior year-end total. We also tied the data within the actuary reports to the information used by the city to restate the OPEB liability and JE made.

Step 8: Review Note disclosures

As described in the Note Disclosures step in TeamMate, determine whether OPEB disclosures are complete, accurate, properly classified, valued, understandable, and in accordance with GAAP by:

- Footing and cross-footing notes and tracing key figures reported to the financials, actuarial valuation report, underlying accounting records, and other sources, as applicable.

  We would expect many of the significant disclosures to be provided by the actuary in the actuarial valuation report.

We foot schedules and tied key figures to the actuary reports and financial statements.
Notes to the Financial Statements

- Checking that all required disclosures were made and reading them to determine whether they are accurate and in accordance with GAAP.

  Refer to the BARS manual for example disclosures for plans with a qualifying trust and plans with no qualifying trust or the OPEB section in GFOA's general purpose checklist. A summary of required disclosures by plan type is listed below.

  (A) Single or Agent Plan with a Qualifying Trust (rare)
  (B) Costing-sharing Multi-employer Plan with a Qualifying Trust (not aware of any in the state)
  (C) Single Employer Plan with NO qualifying trust (ex: PEBB and the majority of other plans in the state)
  (D) Stand-alone financial statements of primary government and component units in the same "single employer" plan with NO qualifying trust (see GASB 75 par 172-192)

Employer Note Disclosures	A	B	C	D	(Yes/No)	Notes
Plan Description						

Employer Note Disclosures	A	B	C	D	(Yes/No)	Notes
Name of plan, administrator of plan, and type of plan	X	X	X	X	Yes	
Benefit terms, including:						
(1) classes of employees covered	X	X	X	X	Yes	
(2) types of benefits	X	X	X	X	Yes	
(3) key elements of OPEB formula	X	X	X	X	Yes	
(4) terms or policies with respect to automatic benefit changes including ad hoc cost of living adjustments (COLAs)	X	X	X	X	Yes	
Number of employees covered	X		X		Yes	
Fact that no assets accumulated in a trust			X	X	Yes	
Contribution requirements, including (1) authority under which contributions made, (2) legal or maximum contribution rates, (3) contribution rates, and (4) contributions	X	X			NA	
Authority under which to pay OPEB benefits as they come due and amount			X	X	Yes	
Availability of audited plan financial statements	X	X			NA	
Assumptions and Other Inputs						
Significant assumptions, including inflation, healthcare cost trend rates, salary changes, postemployment benefit changes	X	X	X	X	Yes	
Source of mortality assumptions	X	X	X	X	Yes	
Dates of experience studies (for PEBB, this may be a reference to the State Actuary Office valuation report)	X	X	X	X	Yes	
Fact that projections of sharing of benefit costs are based on established pattern of practice, if applicable	X	X	X	X	Yes	
Net OPEB Liability (NOL) sensitivity to healthcare cost trend rate (+/-1%)	X	X			NA	
Total OPEB Liability (TOL) sensitivity to healthcare cost trend are (+/-1%)			X	X	Yes	
Discount Rate						
Discount rate used	X	X	X	X	Yes	
Assumptions about projected cash flows	X	X			NA	
Long-term expected rate of return on plan investments and how determined	X	X			NA	
Municipal bond rate used	X	X	X	X	Yes	
Periods of projected benefit payments applied to long-term rate of return and municipal bond rate, if applicable	X	X			NA	
Assumed asset allocation and long-term expected real rate of return for each major asset class	X	X			NA	
NOL sensitivity to discount rate (+/-1%)	X	X			NA	
TOL sensitivity to municipal bond rate (+/-1%)			X	X	Yes	
Additional Disclosures						
Information about plan's fiduciary net position if report not publicly available	X	X			NA	
Schedule of changes in NOL	X				NA	
Schedule of changes in TOL			X		Yes	
Measurement Date (MD)	X	X	X	X	Yes	
Actuarial Valuation Date	X	X	X	X	Yes	
Employers proportionate share of net (total) OPEB liability and basis for allocation		X		X	NA	
Changes in assumptions and benefit terms	X	X	X	X	Yes	
Changes subsequent to MD	X	X	X	X	Yes	

Employer Note Disclosures	A	B	C	D	(Yes/No)	Notes
OPEB expense in current period	X	X	X	X	Yes	
Balance of deferred O/I by source and aggregate impact on OPEB expense in each of next 5 years and thereafter	X	X	X	X	Yes	

Step 9: Review Required Supplementary Information (RSI)

As described in the RSI step in TeamMate, determine whether the OPEB RSI agrees with the financial statements and presented in accordance with GAAP:

- Foot and cross-foot schedules and tie key figures reported in the notes to the financial statements, underlying accounting records, actuarial valuation report, and other sources, as needed.

  We would expect RSI to be provided by the actuary in the actuarial valuation report.

We foot and cross-foot schedules and tied key figures to the financial statements and other sources as needed here: RSI .

- Checking that all (and only) required elements were included and reading the schedule for consistency with information obtained throughout the audit.

  Refer to the BARS manual for example RSI; a summary of RSI by plan type is listed below.
  (A) Single or Agent Plan with a Qualifying Trust (rare)
  (B) Costing-sharing Multi-employer Plan with a Qualifying Trust (not aware of any in the state)
  (C) Single Employer Plan with NO qualifying trust (ex: PEBB)
  (D) Stand-alone financial statements of primary government and component units in the same "single employer" plan with NO qualifying trust (see GASB 75 par 172-192)

Employer RSI	A	B	C	D	Yes/No	Notes
10-Year Schedules						
Changes in Net OPEB Liability (NOL) by source	X				NA	
Components of NOL and related ratios	X				NA	
Proportionate share of NOL		X			NA	
Employer contributions	X	X			NA	
Changes in Total OPEB Liability (TOL) by source (*normally combined with schedule below*)			X		Yes	
TOL as percent of covered employee payroll			X	X	Yes	
Proportionate share of TOL				X	NA	
Schedule of Investment Returns	X				NA	

Step 10: Fiduciary fund statements (qualifying trusts only)

No Qualifying Trust - When there's no qualifying trust, the employer should not report a trust on the Fiduciary fund statements. There should be no fiduciary fund statements presented for the plan. Any assets accumulated should be reported as assets of the employer. In these circumstances, any OPEB fiduciary funds should be treated as managerial funds and rolled into the appropriate fund (e.g. the general fund) for financial statement reporting.

We did not identify a Fiduciary fund statement related to OPEB. This meets our expectations.

Qualifying Trust - If the plan is administered through a qualifying trust, the employer should report a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position for the plan. The net OPEB liability is a liability of the employer to the plan and <u>should not</u> also be reported in the fiduciary statements. – Not applicable.

Step 11: Additional management representation

Add an additional representation if management contracted with an actuary. See the List of Additional Representations located in the Auditor Reference Guide here: http://saosp/GeneralInfo/AuditorRefGuide/Documents/Representation%20Letter%20Resource.docx.
Note: if your entity used the state actuary's tools or reports, you do not need to add this representation. It is only applicable for contracted actuaries.

We copied the applicable language below and added it to the representation letter here: Rep Letter - GAAP

Rely on Specialist

For each instance where you completed the Rely on Specialist step (when auditors rely on the work of management's specialist as audit evidence in performing substantive steps), add the following representation under the section for <u>financial statement representations</u>:

For example:

Asset retirement obligations (AROs)	Pensions/OPEB
Landfill closure and postclosure liabilities	Pollution remediation obligations

Note: For Pensions and OPEB, if your entity used the state actuary's tools or reports, you do <u>**not**</u> need to add this representation. It is only applicable for contracted actuaries.

1. We adequately considered the qualifications of [specialist, actuary, or firm] and agree with conclusions regarding [financial statement element; for example "pollution remediation obligations" or "other post-employment benefits liability"], which are reflected in financial statement amounts and disclosures. We provided [specialist, actuary, or firm] with accurate and complete information and did not give or cause any instructions to be given to [specialist, actuary, or firm] with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of [specialist, actuary, or firm].