

COUNTY OF YOLO, CALIFORNIA

Other Postemployment Benefit Plan
Schedule of Employer Allocations and Other Postemployment Benefit
Plan Amounts by Employer

For the Year Ended June 30, 2017

County of Yolo, California
Other Postemployment Benefit Plan Schedule of
Employer Allocations and OPEB Amounts By Employer

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For the Year Ended June 30, 2017

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VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Honorable Board of Supervisors
County of Yolo, California

Report on Schedules

We have audited the accompanying schedule of employer allocations of the County of Yolo, California, (County) Other Postemployment Benefit (OPEB) Plan (the Plan) as of and for the year ended June 30, 2017, and the related notes. We have also audited the totals for all entities of the columns titled net OPEB liability, deferred inflows of resources, deferred outflows of resources, and total employer OPEB expense (credit) (specified column totals) included in the accompanying schedule of OPEB amounts by employer of the Plan as of and for the year ended June 30, 2017, and the related notes.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of these schedules in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedules that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on the schedule of employer allocations and the specified column totals included in the schedule of OPEB amounts by employer based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of employer allocations and specified column totals included in the schedule of OPEB amounts by employer are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer allocations and specified column totals included in the schedule of OPEB amounts by employer. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule of employer allocations and specified column totals included in the schedule of OPEB amounts by employer, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedule of employer allocations and specified column totals included in the schedule of OPEB amounts by employer in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedule of employer allocations and specified column totals included in the schedule of OPEB amounts by employer.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and net OPEB liability, total deferred inflows of resources, deferred outflows of resources, and total employer OPEB expense/(credit) for the total of all participating entities of the Plan as of and for the year ended June 30, 2017, in accordance with accounting principles generally accepted in the United States of America.

Restriction on Use

Our report is intended solely for the information and use of County's management, Board of Supervisors, Plan employers, and their auditors and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinik, Trine, Day & Co. LLP

Sacramento, California
September 14, 2018

**COUNTY OF YOLO, CALIFORNIA
OTHER POST EMPLOYMENT BENEFIT PLAN
SCHEDULE OF EMPLOYER ALLOCATIONS
FOR THE YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016)**

<u>Employer</u>	<u>2017</u>		<u>2016</u>	
	<u>Employer Contributions</u>	<u>Employer Allocation Percentage</u>	<u>Employer Contributions</u>	<u>Employer Allocation Percentage</u>
County of Yolo	\$ 7,907,544	99.4993%	\$ 6,544,445	99.4279%
First 5 Yolo	21,571	0.2714%	22,824	0.3468%
Yolo County LAFCO	18,228	0.2293%	14,828	0.2253%
Total	<u>\$ 7,947,343</u>	<u>100.0000%</u>	<u>\$ 6,582,097</u>	<u>100.0000%</u>

The accompanying notes are an integral part of this schedule

**COUNTY OF YOLO, CALIFORNIA
OTHER POST EMPLOYMENT BENEFIT PLAN
SCHEDULE OF OPEB AMOUNTS BY EMPLOYER
FOR THE YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016)**

Employer	As of and for the Year Ended June 30, 2017											
	Deferred Outflows of Resources			Deferred Inflows of Resources				OPEB Expense (Credit)				
	Net OPEB Liability as of June 30, 2016	Net OPEB Liability as of June 30, 2017	Changes in Proportion	Total Deferred Outflows of Resources	Changes in Proportion	Net Difference Between Projected and Actual Earnings on OPEB Plan		Total Deferred Inflows of Resources	Proportionate Share of OPEB Plan Expense	Net Amortization of Deferred Amounts from Changes in Proportion		Total Employer OPEB Plan Expense/(Credit)
						Investments	Resources			Proportion	Proportion	
County of Yolo	\$ 76,396,421	\$ 74,929,863	\$ 82,959	\$ 82,959	\$ 36,603	\$ 194,023	\$ 230,626	\$ 8,156,944	\$ 8,428	\$ 8,165,372		
First 5 Yolo	266,467	204,383	-	-	49,021	530	49,551	22,250	(8,913)	13,337		
Yolo County LAFCO	173,112	172,754	2,665	2,665	-	447	447	18,806	485	19,291		
Total	\$ 76,836,000	\$ 75,307,000	\$ 85,624	\$ 85,624	\$ 85,624	\$ 195,000	\$ 280,624	\$ 8,198,000	\$ -	\$ 8,198,000		

The accompanying notes are an integral part of this schedule

COUNTY OF YOLO, CALIFORNIA
OTHER POST EMPLOYMENT BENEFIT PLAN
NOTES TO THE SCHEDULES OF EMPLOYER ALLOCATIONS AND OPEB
AMOUNTS BY EMPLOYER
FOR THE YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016)

NOTE 1: PLAN DESCRIPTION

The County of Yolo Retiree Healthcare Plan (the Plan) provides postemployment medical and dental insurance to retired employees through a single-employer defined benefit OPEB plan. Medical insurance benefits are administered by the California Public Employee’s Retirement System, (CalPERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California, in accordance to the Public Employees Medical and Hospital Care Act (PEMHCA). To be eligible, an employee must retire under the CalPERS program within 120 days of separation from employment from Yolo County. Dental insurance is provided through Yolo County’s Dental Self Insurance program. Medical and dental insurance benefits for retirees are continued based on current labor agreements. In order to fund retiree health benefits, the County established an irrevocable trust with Public Agency Retirement Services (PARS), an agent multiple-employer OPEB plan. PARS issues a separate annual financial report and copies of the report may be obtained by writing to PARS at 4350 Von Karman Ave., Suite 100, Newport Beach, CA 92660 or by calling 800-540-6369.

At June 30, 2017, participating local government employers consisted of the County of Yolo, First 5 Yolo, and Yolo County LAFCO. First 5 Yolo, although a legally separate entity, is considered part of the County’s reporting entity as a discretely-presented component unit of the County, and, therefore, included in the County’s basic financial statements. Yolo County LAFCO is not considered to be part of the County’s reporting entity.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Basis of Presentation and Basis of Accounting

Employers participating in the Plan are required to report OPEB information in their financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The schedule of employer allocations and schedule of OPEB amounts by employer (schedules) present selected information to provide employers with the required information for financial reporting related to the Plan.

GASB 75 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

The accompanying schedules were prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations.

Use of Estimates in the Preparation of Financial Schedules

The preparation of the schedules in conformity with U.S generally accepted accounting principles requires management to make significant estimates and assumptions that affect the reported amounts during the reporting period. Actual results could differ from those estimates.

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NOTE 3: PROPORTIONATE SHARES

For the Plan, employer contributions are used as the basis for determining each employer’s proportion of OPEB amounts. The employer’s proportion may be applied to the total amounts reported in the schedule of OPEB amounts by employer to determine the employer’s proportionate share of the amounts.

NOTE 4: ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial Methods and Assumptions Used to Determine Total OPEB Liability

The components of the Plan net OPEB liability as of June 30, 2016 and 2017 are as follows:

	2016	2017
Total OPEB liability	\$ 78,624,000	\$ 81,962,000
Less: Plan fiduciary net position	1,788,000	6,655,000
Net OPEB liability of employers	\$ 76,836,000	\$ 75,307,000

The County’s net OPEB liability of the Plan was measured as of June 30, 2017, using an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures.

The June 30, 2017 total OPEB liabilities for the Plan were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions	
Inflation:	3.00%
Salary Increases:	3.25%
Investment Rate of Return:	6.50%
Healthcare Cost Trend Rate:	Non-Medicare – 6.5% for 2018, decreasing 0.5% per year to an ultimate rate of 5.0% for 2021 and later years Medicare – 6.7% for 2018, decreasing to an ultimate rate of 5.0% for 2021 and later years

Mortality information was derived from data collected during 1997 to 2011 CalPERS Experience Study dated January 2014 and post-retirement mortality information was derived from the 2007 to 2011 CalPERS Experience Study which assumed future mortality improvements using Society of Actuaries (SOA) Scale MP-14 converging to ultimate rates in 2022. The Experience Study Reports may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.

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NOTE 4: ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)

Target Asset Allocation

The long-term expected rate of return on the Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the table below.

The County’s investment guidelines for OPEB are detailed in the “Investment Guidelines Document – Yolo County Other Post-Employment Benefits Trust – March 2017”. The following is the Board’s adopted asset allocation policy for OPEB:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Real Rate of Return</u>
Global Equity	58.0%	4.82%
Fixed Income	35.0%	1.47%
Real Estate Investment Trusts	2.0%	3.76%
Cash	5.0%	0.06%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total OPEB liability was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability as of the measurement date, calculated using the discount rate of 6.5 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.5 percent) or 1 percentage-point higher (7.5 percent) than the current rate:

	1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
Discount Rate			
Net OPEB Liability	<u>\$ 84,964,000</u>	<u>\$ 75,307,000</u>	<u>\$ 67,218,000</u>

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NOTE 4: ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the Net OPEB liability as of June 30, 2017, calculated using the healthcare cost trend rate of 1 percent higher as well as using trend rate 1 percent lower than the current trend rates:

Healthcare Cost Trend Rate	1% Decrease (Trend -1%)	Current Trend Rates	1% Increase (Trend +1%)
Net OPEB Liability	<u>\$ 68,041,000</u>	<u>\$ 75,307,000</u>	<u>\$ 83,970,000</u>

Non-Medicare trend rate of 6.5%, decreasing 0.5% per year to an ultimate rate of 5.0% for 2021 and later years. Medicare trend rate of 6.7%, decreasing to an ultimate rate of 5.0% for 2021 and later years.

Amortization of Deferred Outflows and Deferred Inflows of Resources

The net difference between projected and actual earnings on OPEB plan investments is amortized over a 5-year period on a straight-line basis. One-fifth was recognized in OPEB expense during the measurement period, and the remaining net difference between projected and actual earnings on OPEB plan investments at June 30, 2017 is to be amortized over the remaining 4-year period.

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years of all employees that are provided with OPEB through the plan by the total number of participants (active, inactive, and retired) in the plan. The EARSL for the 2017 measurement period is 6.5 years which was obtained by dividing the total service years of 15,477 (the sum of remaining service lifetimes of the active employees) by 2,381 (the total number of participants: active, inactive, and retired). Inactive employees and retirees have remaining service lifetimes equal to zero, and total future service is based on the members' probability of decrementing due to an event other than receiving a benefit. The EARSL is used to amortize deferred outflows of resources and deferred inflows of resources related to changes of proportion.

The schedule of OPEB amounts by employer does not reflect employer-specific amounts such as differences between actual contributions and allocated contributions during the measurement period and contributions to the plan subsequent to the measurement date as defined in GASB Statement No. 75 paragraphs 65 and 68. Appropriate treatment of such amounts is the responsibility of the employers.

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NOTE 4: ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)

Deferred outflows of resources and deferred inflows of resources will be recognized as OPEB expense as follows:

Employer Fiscal Year Ending June 30	
2019	\$ (49,000)
2020	(49,000)
2021	(49,000)
2022	(48,000)
Total	<u>\$ (195,000)</u>

NOTE 5: RELATIONSHIP TO THE BASIC FINANCIAL STATEMENTS

The components of the schedules were determined in accordance with requirements promulgated by GASBs 74 and 75. The Net OPEB liability measured as of June 30, 2017 is reported in the County of Yolo's Comprehensive Annual Financial Report.