STATE OF MINNESOTA
Office of the State Auditor

Patricia Anderson
State Auditor

Special Study
Other Postemployment Benefit Liability of Local Governments in Minnesota

Description of the Office of the State Auditor

The Office of the State Auditor serves as a watchdog for Minnesota taxpayers by helping to ensure financial integrity, accountability, and cost-effectiveness in local governments throughout the state.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 200 financial and compliance audits per year and has oversight responsibilities for over 3,600 local units of government and over 700 pension funds throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits for local governments;

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Legal/Special Investigations - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

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The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employee's Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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October 18, 2006

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Executive Summary

The purpose of this report is to gain a greater understanding of unfunded liabilities as they relate to Other Postemployment Benefits (OPEB) for some local governments in Minnesota. This report is a first step in raising awareness of local governments that are affected by these unfunded liabilities. Further, it explores the potential scope of the financial problem they are facing. In the months and years to come a more concise picture of the problem will emerge as local governments, through the implementation of GASB Statements 43 and 45, complete actuarial studies.

Also, because this problem is progressive, proactive steps taken now by the affected local governments (as well as the state legislature) could help lessen the liability, so that it is possible the liability could be lower in the future than it is today. However, failure to take timely action will result in greater unfunded liabilities for affected local governments, and therefore, greater obligations for taxpayers in those localities.

Overall OPEB Liability

Thirty-one entities that responded to the Auditor's survey had completed actuarial studies of their OPEB liabilities, totaling $1.34 billion. An additional 312 entities provided estimates of their OPEB liabilities, with a cumulative OPEB liability of $2.03 billion. In aggregate, 343[1] entities provided information on their OPEB liabilities. The total liability for these entities was $3.37 billion, representing 27.1 percent of their total annual revenues of $12.5 billion. The total number of employees eligible for OPEB benefits was 63,756. The average amount of benefits per employee for all entities was $52,923.

The number of local governments that reported an OPEB liability varies greatly by type of entity. School districts had by far the greatest number of entities with some level of OPEB liability (215). Cities had the next highest number of entities with reported OPEB liabilities at 66. Just under half, or 39, of the 87 counties reported a liability, and very few special districts (20) or towns (3) did.

What is most striking in the study is that the overall OPEB liability of $3.37 billion is concentrated in a relatively few number of entities. In fact, the top twenty largest OPEB liabilities account for 73 percent of the total OPEB liability for all local governments in Minnesota. Among the 1,730 local governments that responded to the Auditor's survey, only 343 had any OPEB liability at all. Among those that did have some OPEB liability, 30 or 9 percent reported their OPEB liability to be greater than 50 percent of their current revenues. The majority of the local governments (58 percent) reported an OPEB liability that was less than 10 percent of their total current revenues.

[1] A total of 362 local governments responded that they had an OPEB liability, 343 reported information as to the amount.

OPEB Benefits Offered

An examination of those entities that offer or have offered OPEB benefits found that 270 entities or 75 percent of the 362[2] entities with OPEB continue to offer OPEB to one or more of their employee groups. The other 25 percent have removed OPEB from contracts for future hires.

Strategies for Dealing with OPEB

There are two basic approaches to dealing with an OPEB liability – reducing costs and increasing revenue. *Entities with large OPEB liabilities will have to do some of both in order to meet their OPEB obligations.* All parties should acknowledge the contributions needed from them and work together toward a solution. Elected officials and local government administrators may have to make difficult and sometimes unpopular decisions. Depending on the scope of the problem, current employees and other beneficiaries may have to accept some changes in the manner and structure of distributing benefits. Citizens may have to accept rate increases and/or an increase in taxes.

It is in the interest of all stakeholders to immediately begin effecting solutions to address these obligations. Every day OPEB liabilities are not addressed increases the accrued obligation. Taking action sooner, rather than later, will save taxpayers money in the long run.

The strategies below have been employed by local governments to address their OPEB liabilities. Since each situation is unique, local governments with OPEB liability will have to determine which combinations of actions best fit their situation and needs. The possible strategies listed below are by no means comprehensive – there may be other avenues that can be explored when dealing with OPEB. However, they represent a sampling of strategies employed by local governments.

- Reducing Costs
  - Administrative Steps
  - Adjusting Current Employees Benefits
  - Removing Benefits from Future Contracts
- Increasing Revenue
  - Raising Fees/Taxes
  - Setting Money Aside Now

Pitfalls of Failing to Address OPEB

Failure to address growing OPEB liabilities may lead to the following problems: degradation of services, failure to meet obligations to current and retired employees, damage to the entity's credit rating, or bankruptcy. Switching to actuarial — or full funding — from a pay-as-you-go practice will allow entities to avoid these pitfalls.

Recommendation: *Authorize Trust Investment*

Currently, Minnesota law does not allow local government entities to create trusts to meet OPEB obligations. Such a trust would have two advantages for government entities with OPEB liabilities. First, to the extent a public entity puts money in the trust, beyond the claims of its creditors, the governmental entity will qualify under the GASB No. 45 to represent on its

[2] *Ibid.*

financial statement that it has funded its OPEB liability. Second, a trust would be eligible to use a more expansive list of investments than those available to government entities. This would result in an increased investment return to reduce future liabilities. Therefore, the State Auditor strongly recommends that legislation authorizing the use of trusts to be invested by the State Board of Investment (SBI) be passed and signed into law as soon as possible during the coming legislative session. This single act could lower the unfunded liabilities of local government by as much as $1 billion statewide.

Conclusion

There is no doubt that the $3.37 billion OPEB liability is a large unfunded liability for local governments in Minnesota. However, when examined closely it is plain that while the problem is large, it directly affects a relatively small number of local governments throughout the state. In fact, 79 percent of local governments report no OPEB liability at all. Among the 343 entities that reported a liability, 53 of them account for 90 percent of the total liability statewide. These 53 entities are primarily concentrated in the metropolitan area and in northeastern Minnesota.

There are a handful of local governments for whom these OPEB liabilities will be, if they are not already, the cause of intense fiscal pain, and perhaps crisis. In fact, state intervention in some fashion may even be necessary for some acutely affected school districts. However, for most local governments in Minnesota with an OPEB liability, the problem should be manageable if timely steps are taken to address it. This will be especially true if the legislature authorizes trust investment for local governments.

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Introduction

The purpose of this report is to gain a greater understanding of unfunded liabilities as they relate to Other Postemployment Benefits (OPEB) for some local governments in Minnesota. This report is a first step in raising awareness of local governments that are affected by these unfunded liabilities. Further, it explores the potential scope of the financial problem they are facing. In the months and years to come a more concise picture of the problem will emerge as local governments, through the implementation of GASB Statements 43 and 45, complete actuarial studies.

Also, because this problem is progressive, proactive steps taken now by the affected local governments (as well as the state legislature) could help lessen the liability, so that it is possible the liability will be lower in the future than it is today. However, failure to take timely action soon will result in greater unfunded liabilities for affected local governments, and therefore, greater risk to taxpayers in those localities.

Overview and Background

Most public and private sector employers offer traditional retirement benefits such as pension or 401k type plans. In addition, some employers have offered retirees additional benefits such as employer-paid health and life insurance premiums. In accounting parlance, these benefits are called Other Postemployment Benefits (OPEB). Nationwide, in both the private and public sectors, the mounting cost of OPEB has been a topic of growing concern for employers. The combination of rapidly increasing health insurance premiums and an aging workforce has put increased stress on organizations as these obligations come due.

Unfortunately, the current and future costs of these liabilities have often gone unrecognized. In some cases, what was once assumed to be a fairly inexpensive budget item has mushroomed into a multimillion-dollar unfunded liability. In order to ensure that financial statements accurately reflect entities' obligations, the accounting standards boards that govern both sectors have issued separate statements regarding how organizations should account for these liabilities.

The Financial Accounting Standards Board (FASB) first addressed the issue in 1990 in its Statement No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*, which addresses how private sector employers should account for and report their costs and obligations related to postretirement benefits. Statement No. 106 focuses primarily on health care benefits, although it applies to all postretirement benefits. The Board has issued subsequent statements in the years hence refining the standards, and the discussion and revision of these statements is ongoing.

The Governmental Accounting Standards Board (GASB) followed suit in 2004 issuing Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which addresses how state and local governments should account for and report their postemployment healthcare and other non-pension benefits.

OPEB costs present a threat to local governments and their citizens for three reasons. First, the potential costs of the benefits have often been overlooked and consequently have not been properly funded. In some cases, the OPEB liability is equal to or greater than the entities' annual revenues. Second, taxpayers bear the burden of paying the liability in the form of tax increases or suffer degradation of services if money is diverted from other programs and projects to cover the current payments. And finally, the State has no obligation to fix the problem, leaving local governments to figure out how to raise the money to pay their debts in the long term, which could result in some hefty tax increases for some citizens.

The full magnitude of the problem is still unclear, as GASB 45 will not be fully implemented for three years. However, the State Auditor sees no reason to wait to address the issue. Instead, the Auditor believes it is important that it be determined as soon as possible which entities have these liabilities, and what the relative magnitude of the cost is, so that policy makers can take action now to begin to address any funding shortfalls.

Some local government entities have already taken steps to recognize and address their OPEB liabilities. There are lessons to be learned from these entities. This report is the first step in what will undoubtedly be an ongoing discussion into the foreseeable future for local governments in Minnesota.

The following report presents the results of a survey of local governments regarding their OPEB liabilities, and then presents some strategies being used by entities around the state to address the matter of these growing costs. Finally, the Auditor offers a policy recommendation that will help those affected local governments tackle this tough issue.

Background on Other Postemployment Benefits and GASB 45[3]

What is OPEB?
OPEB stands for Other Postemployment Benefits and covers certain benefits provided after employment ends. From an accounting perspective, these benefits are in exchange for employees' current services. The "O" in OPEB means that these benefits are those Other than pensions. OPEB usually includes healthcare benefits. They can also include other benefits such as life insurance. OPEB does not include vacation, sick leave, or COBRA continuation.

What is GASB 45?
GASB 45 is a statement by the Governmental Accounting Standards Board that says that local governments must start recording current costs of funding the OPEB plans that the current employees are accruing as an expense on financial statements.

Previous rules only required that current payments to existing retirees be recorded as an expense. Governments must disclose information regarding funding, costs, and provisions of the OPEB plans. GASB 45 does not require employers to prefund these expenses, however, it is

[3] This synopsis of OPEB and GASB 45 was taken from the website of the actuarial firm Bolton Partners, Inc. The Office feels it is a very understandable explanation and have included it for your reference. Appendix A provides a more technical summary of GASB 43 and 45.

recommended that they do so since failing to prefund the liability will result in a much higher expense over time.

Whom does GASB 45 affect?
GASB 45 affects all state and local government organizations that provide or participate in OPEB plans – including implicit rate subsidies.[4] It should also be noted that if governmental jurisdictions such as cities, counties, or school districts participate in a statewide plan for pension but provide OPEB separately, each jurisdiction must follow GASB 45 individually.

What is the current situation?
Currently, most governmental employers use a "pay-as-you-go" method. As mentioned above, with this method financial statements only report the OPEB benefits being paid in the current year as the expense. In other words, the expense for the year is the actual amount of benefits paid for retirees healthcare offset by any monthly premiums received from retirees. Money comes directly from the government sponsor. There is no attempt to prefund as there is with almost all pension-like promises. OPEB benefits that are "accruing" for current employees are not currently considered when preparing their financial statements.

One problem with this pay-as-you-go method is that financial reports do not reflect the cost of the benefits when the employee's services are actually being received. Also, the report provides no information about the actuarial accrued liabilities for promised benefits. This lack of information makes it hard to determine potential demands on future cash flow. If these benefits are offered, the existing method understates the true cost since it appears there is no cost for current employees.

What does GASB 45 change?
In accordance with GASB 45, the government would have to report both the expenditure the employer is paying for the retirees currently using their OPEB plan as well as an expense for what the current employees are earning and an annual portion of the previously unrecognized expense. If the decision is made to come up with the cash to start prefunding these benefits, **the expense is likely to be between 3 and 4 times the current pay-as-you-go cost**. If the decision is made not to come up with the cash to start to prefund these benefits (i.e. continue pay-as-you-go financing), **the expense over time is likely to be between 5 and 8 times the current pay-as-you-go cost**. The higher ratios exist when the ratio of employees to retirees is high. The recognition of the higher GASB liability may impact bond ratings, which will increase the cost of borrowing for other governmental needs.

GASB requires that actuarial valuations be completed, perhaps for the first time, on the OPEB plans. For governments with more than 200 people in the plan, these valuations need to be done biennially. For governments with less than 200 people in the plan, these valuations need to be done triennially. If a government has less than 100 people in the plan, they may use an Alternative Measurement Method, where the assumptions are simplified so nonspecialists may evaluate the costs of the plan. If the government makes a significant change to the plan, then a new valuation is required.

[4] Further explanation of implicit rate subsidy is included in Appendix B

By when do these changes have to be made?
For governments, the initiation dates of the changes are based on their GASB 34 implementation dates, which were based on total governmental revenue. Governments that were phase one governments (more than $100 million in total revenue) must have the changes made by the first fiscal year beginning after December 15, 2006**.** Governments that were phase two governments (with total revenues less than $100 million but over $10 million) must have the changes made by the first fiscal year beginning after December 15, 2007. Governments that were phase three governments (total revenues less than 10 million dollars) must have the changes made by the first fiscal year beginning after December 15, 2008. Disclosure requirements start a year earlier.

Survey Methodology

The State Auditor's Office conducted a survey of 2,049 local government entities in Minnesota, including cities, counties, school districts, special districts, and townships with annual revenues over $250,000 to collect information on the nature and extent of the OPEB liability throughout the state. The survey contained questions asking whether each entity offered OPEB benefits, what types of benefits they offer, and the estimated amounts of their current liabilities. Eighty-four percent of the entities responded to the survey, including all the larger local units of government.

The following table presents the breakdown of survey respondents by type of entity. Counties had the highest percentage of respondents, with 100 percent of counties responding to the survey. Special districts and towns had much lower percentages of entities responding, most likely because few of these types of entities offer OPEB. Of those entities that responded to the survey, twenty-one percent said that they currently or previously offered Other Postemployment Benefits.

Survey Respondents by Type

Type of Entity	Total Responded	Percent of Total Responded	Total Entities	Number with OPEB	Percent Responding with OPEB
Cities	773	91%	853	69	9%
Counties	87	100%	87	45	52%
School Districts	317	92%	344	222	70%
Special Districts	399	73%	550 *	23	6%
Townships	154	72%	215 **	3	2%
Total	1730	84%	2049	362	21%

* The State Auditor's Office does not have contact information for all Special Districts; therefore this number includes districts of which we were aware at the time of the report.

** Two hundred and fifteen towns were identified as having annual revenues over $250,000.

Limitations of Self-Reported Data

Self-reported survey data have inherent limitations and problems due to the method of data collection. Some of the issues the Office experienced while collecting this information included differing interpretation of survey questions, leading to variations in the data; classification errors, especially where it concerned listing the numbers of employees in each group; and calculation errors.

Where possible, the Office attempted to control and correct these types of errors by providing instructions and a glossary of terms with the survey, and by reviewing all survey forms of entities that indicated they had OPEB liabilities.

Actuarial Liability versus Estimated Liability

One section of the survey asked for the liability of the organization arising from OPEB. Entities were asked to report an actuarial liability if available, otherwise they were to calculate an estimate of the entity's liability. While a few entities have already had actuarial studies completed, the majority reported internally generated estimates.

Actuarial liabilities, though still estimates, are presumed to be very close to the actual liability an entity will face. They include complex formulas to determine the number of current employees who will ultimately take advantage of the benefit. They also include the implicit rate subsidy, or the additional cost to the entity of having retirees in the group.

The internally generated estimates, on the other hand, represent ballpark figures of the liabilities of those entities. They are meant to give administrators and policy makers an idea of the magnitude of the costs facing the entity. Entities calculating their own estimates were told to include only those people currently eligible to receive the benefit, whether still working or retired. They were allowed to assume their own rate of increase in costs. They were also directed not to include the implicit rate subsidy, since it would be difficult for entities to calculate.

Because actuarial studies have a much higher level of sophistication in their calculations than internally generated estimates do, the report presents the information for the two groups separately, in addition to a summary of the data in aggregate.

Summary of OPEB Liability

Based on the results of the survey conducted by the Office of the State Auditor, there is now a preliminary tally of the OPEB liability among local governments in the state. The following discussion presents findings based on the self-reported data provided by those entities that responded to the Auditor's survey.

Overall OPEB Liability

According to data provided by the 1,730 local governments that returned the Auditor's survey, only 362 or 21 percent have some level of OPEB liability. Of this total, 343 entities either provided an OPEB liability figure or had a liability greater than zero.[5] The percentage of local governments that have an OPEB liability varies greatly by type of entity. Among cities, 9 percent have an OPEB liability; among counties, 52 percent have a liability; among school districts, the proportion is 70 percent; among special districts, 6 percent have an OPEB liability, and among townships, 2 percent have an OPEB liability.

Having an OPEB liability in and of itself is not cause for concern. The level of concern should depend on how the liability relates to the entity's ability to pay for it. One way to measure the level of OPEB liability is to compare it to an entity's total annual revenues. For example, when actuarial liabilities were examined for the City of Duluth, the actuarial liabilities as a percent of current revenues were 253 percent.

It is important to recognize that the comparison of these liabilities to the entities' annual revenues does not represent what the local governments will be paying annually, but rather as a way to compare the relative size of the OPEB liability from one entity to the next. The overall OPEB liability is the amount an entity must pay over a number of years to fully fund its future OPEB obligations. The annual amount an entity must pay towards its OPEB costs is called its annual required contribution (ARC) and is equal to its current "pay-as-you-go" amount plus a percentage of the unfunded liability.

Actuarial versus Estimated

Thirty-one entities that responded to the Auditor's survey had completed actuarial studies of their OPEB liabilities. The total liability of these 31 entities was $1.34 billion. This represents about 35 percent of the $3.83 billion in total annual revenues of these entities, though the percent varied greatly from 253 percent to 0.4 percent for individual entities. The total number of

[5] The following entities once offered OPEB, but have since discontinued benefits and paid off any associated liabilities: the cities of Anoka and Excelsior; Becker, Olmsted and Watonwan Counties; Rushford-Peterson, Russell, Ruthton, and Canby School Districts; the Anoka Conservation District, the Carlton County Children and Family Services Collaborative, and the Northern Minnesota Municipal Power Agency.

The following entities indicated that they have OPEB liabilities, but refused to provide the amount of their liabilities: the city of Buhl; Blue Earth, Crow Wing, and Polk Counties; Westonka, Orono, and Ada-Borup School Districts.

employees eligible for OPEB benefits among these 31 entities was 28,941. On a per employee basis, the OPEB benefits amount to an average of $46,397 per OPEB-eligible employee.

While only 31 entities that responded to the Auditor's survey had completed actuarial studies, an additional 312 entities provided estimates of their OPEB liabilities. These estimates were collected to provide a preliminary measure of the scope of the OPEB issue among local governments. According to the estimates provided to the Auditor's office, the 312 entities that provided estimates have a cumulative OPEB liability of $2.03 billion. This represents about 24 percent of the $8.64 billion in revenues for those entities that provided estimates, though the percentage ranged from 686 percent to less than 0.1 percent for individual entities.

In aggregate, 343 entities provided information on their OPEB liabilities. The total liability for these entities was $3.37 billion, representing 27 percent of their total annual revenues of $12.5 billion. The total number of employees eligible for OPEB benefits was 63,756. The average amount of benefits per employee for all entities was $52,923.

The following table summarizes OPEB liabilities for entities that have completed actuarial studies and for those that provided estimates of their OPEB liabilities as well as an overall total.

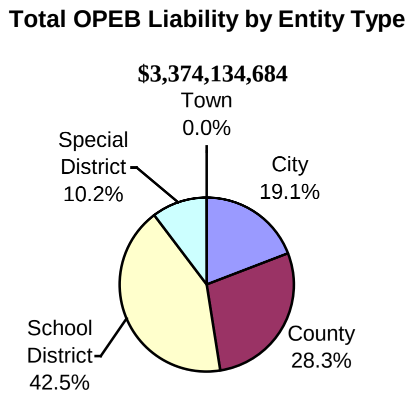
Summary of OPEB Liabilities for Actuarial and Estimated Liabilities

	Number of Entities	Total OPEB Eligible Employees	Current Costs for OPEB-Eligible Retirees	OPEB Liability	Total Funds Set Aside for OPEB Liability	Total Revenues
Completed Acturial Study	31	28,941	$47,108,117	$1,342,774,219	$146,890,054	$3,830,772,129
Provided Estimates	312	34,815	$74,512,526	$2,031,360,465	$74,436,283	$8,635,447,100
Total Liability	343	63,756	$121,620,643	$3,374,134,684	$221,326,337	$12,466,219,229

	Current Costs as a Percent of Total Revenues	Liability as a Percent of Total Revs	Funds Set Aside as a Percent of Liability	Liability per Eligible Employee	Current Costs Per Retired Eligible Employee
Completed Acturial Study	1.2%	35.1%	10.9%	$46,397	$5,220
Provided Estimates	0.9%	23.5%	3.7%	$58,347	$4,924
Total Liability	1.0%	27.1%	6.6%	$52,923	$5,035

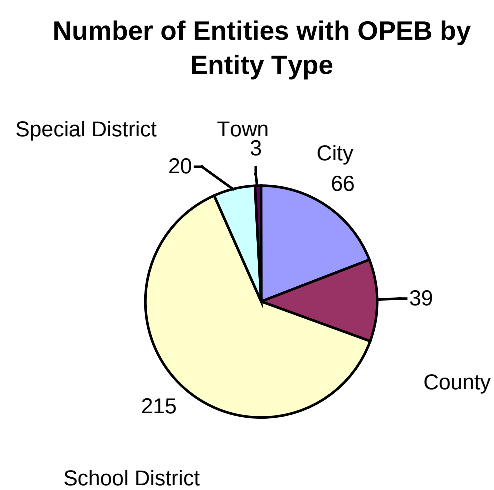
Summary by Type of Entity

Another way to examine where OPEB liabilities exist is to examine them by entity type. The Auditor's survey was sent to five types of local governments: cities, counties, school districts, special districts, and towns. The following analysis presents the survey data by type of entity.



School districts had by far the greatest number of entities with some level of OPEB liability. Among the school districts, 19 had an actuarial liability and 196 provided an estimated liability, for a total of 215 districts with an OPEB liability. This represents about 68 percent of school districts that submitted surveys. Overall, school districts accounted for 61 percent of the total number of entities with reported OPEB liabilities, 52 percent of the eligible employees, 42 percent of the liability, and 55 percent of the total revenues. School districts reported actuarial-determined OPEB liability of $402.9 million and estimated liabilities of $1.03 billion for a total OPEB liability of $1.43 billion.

Cities had the next highest number of entities with reported OPEB liabilities at 66. This represents just 9 percent of the 773 cities that completed the survey. Overall, cities accounted for 18 percent of the responding entities with an OPEB liability, 16 percent of the total number of OPEB-eligible employees, 19 percent of the OPEB liability, and 15 percent of the total revenues of those entities with an OPEB liability. Actuarial-determined liabilities for cities totaled $298.6 million, and estimated liabilities totaled $344.6 million for a total OPEB liability of $643.2 million.



Counties had the next highest level of entities with reported OPEB liabilities at 39, which represent 45 percent of the counties that returned the Auditor's survey. Overall, counties accounted for 11 percent of the total number of entities with an OPEB liability, 28 percent of the OPEB-eligible employees, 28 percent of the total OPEB liability, and 24 percent of the total revenues of those entities that reported OPEB liabilities. Actuarially determined OPEB liabilities for counties totaled $306.4 million, while estimated liabilities totaled $648.4 million for a total OPEB liability of $954.8 million.

As a word of caution, a few entities with very high liabilities can exaggerate the problem within that category of entity type. For example, Duluth's actuarial liability of $279.9 million (as of January 1, 2005) represents 44 percent of the liability for all cities. The Metropolitan Council's $275 million liability represents 80 percent of Special Districts' liabilities. The St. Paul School District's liability of $221 million represents 15 percent of the liability for all School Districts.

The following table presents summary data by entity type for actuarially determined and internally generated estimates separately and in aggregate.

OPEB Liabilities by Type of Entity

Summary of Entities that Submitted Acturial OPEB Liabilities

Type of Entity	Number of Entities	Total OPEB Eligible Employees	Current Costs for OPEB-Eligible Retirees	OPEB Liability	Total Funds Set Aside for OPEB Liability	Total Revenues
City	3	2,067	$7,257,784	$298,632,951	$0	$139,840,692
County	7	13,936	$8,233,534	$306,375,234	$27,385,269	$1,384,136,900
School District	19	10,500	$17,702,040	$402,879,502	$44,906,625	$1,846,230,254
Special District	2	2,438	$13,914,759	$334,886,532	$74,598,160	$460,564,283
Towns	-	-	$0	$0	$0	$0
Total for actuarial liability	**31**	**28,941**	**$47,108,117**	**$1,342,774,219**	**$146,890,054**	**$3,830,772,129**

Summary of Entities that Submitted Estimated OPEB Liabilities

Type of Entity	Number of Entities	Total OPEB Eligible Employees	Current Costs for OPEB-Eligible Retirees	OPEB Liability	Total Funds Set Aside for OPEB Liability	Total Revenues
City	63	8,370	$12,614,584	$344,596,474	$10,677,819	$1,710,012,412
County	32	3,735	$12,694,442	$648,428,454	$16,138,214	$1,621,261,169
School District	196	22,484	$48,958,707	$1,030,244,758	$47,342,599	$5,055,201,094
Special District	18	210	$181,465	$7,690,918	$212,651	$246,329,121
Towns	3	16	$63,328	$399,861	$65,000	$2,643,304
Total for estimated liability	**312**	**34,815**	**$74,512,526**	**$2,031,360,465**	**$74,436,283**	**$8,635,447,100**

Summary of All Entities with OPEB Liabilities

Type of Entity	Number of Entities	Total OPEB Eligible Employees	Current Costs for OPEB-Eligible Retirees	OPEB Liability	Total Funds Set Aside for OPEB Liability	Total Revenues
City	66	10,437	$19,872,368	$643,229,425	$10,677,819	$1,849,853,104
County	39	17,671	$20,927,976	$954,803,688	$43,523,483	$3,005,398,069
School District	215	32,984	$66,660,747	$1,433,124,260	$92,249,224	$6,901,431,348
Special District	20	2,648	$14,096,224	$342,577,450	$74,810,811	$706,893,404
Towns	3	16	$63,328	$399,861	$65,000	$2,643,304
Total for all entities	**343**	**63,756**	**$121,620,643**	**$3,374,134,684**	**$221,326,337**	**$12,466,219,229**

Extent of the Problem by Entity Type

While unfunded OPEB liability is at an acute crisis point for some local governments, it is important to keep the overall problem in perspective. Among the 1,730 local governments that responded to the Auditor's survey, only 343 had any OPEB liability at all. Among those that did have some OPEB liability, 30 or 9 percent reported their OPEB liability to be greater than 50 percent of their current revenues. The majority of the local governments (58 percent) reported an OPEB liability that was less than 10 percent of their total current revenues. The following table illustrates this point.

Range in the Percentage of OPEB Liability as a Percent of Total Revenues

Entity Type	Total Number of Entities	Range of OPEB Liability as a Percent of Total Revenues	Actual Number of Entities	Percent of Total by Entity Type
Cities	66	Over 100 Percent	6	9%
		50 to 100 Percent	4	6%
		25 to 50 Percent	7	11%
		10 to 25 Percent	7	11%
		Under 10 Percent	42	64%
Counties	39	Over 100 Percent	2	5%
		50 to 100 Percent	3	8%
		25 to 50 Percent	6	15%
		10 to 25 Percent	4	10%
		Under 10 Percent	24	62%
School Districts	215	Over 100 Percent	9	4%
		50 to 100 Percent	2	1%
		25 to 50 Percent	21	10%
		10 to 25 Percent	65	30%
		Under 10 Percent	118	55%
Special Districts	20	Over 100 Percent	1	5%
		50 to 100 Percent	2	10%
		25 to 50 Percent	1	5%
		10 to 25 Percent	4	20%
		Under 10 Percent	12	60%
Towns	3	Over 100 Percent	0	0%
		50 to 100 Percent	1	33%
		25 to 50 Percent	0	0%
		10 to 25 Percent	0	0%
		Under 10 Percent	2	67%

Extent of OPEB Liability

What is most striking in the study is that the overall OPEB liability of $3.37 billion is concentrated in a relatively few number of entities. In fact, the top twenty largest OPEB liabilities account for 73 percent of the total OPEB liability for all local governments in Minnesota. Further, the top 53 entities account for 90 percent of total OPEB liability statewide. This means the other 290 local governments reporting a liability account for the remaining 10 percent, which is about $342 million. This averages out to about $1.18 million per entity.

The following table lists the top twenty OPEB liabilities and their percent of the total statewide OPEB liability. Those entities that have had an actuarial study have already confirmed their OPEB level while those that provided estimates could be higher or lower after an actuarial determination.

Top Twenty OPEB Liabilities

Name of Entity	OPEB Liability	Percent of Total for those with OPEB	Actuarial or Estimated Liability
Ramsey County	530,000,000	16%	Estimated
City of Duluth	279,934,736	8%	Actuarial
Metropolitan Council	274,967,283	8%	Actuarial
ISD # 625 - St. Paul	221,411,000	7%	Actuarial
Hennepin County	183,300,000	5%	Actuarial
City of St. Paul	180,000,000	5%	Estimated
ISD # 318 - Grand Rapids	104,194,781	3%	Estimated
ISD # 316 - Greenway	88,268,674	3%	Estimated
Anoka County	70,000,000	2%	Actuarial
ISD # 1S - Minneapolis	66,300,000	2%	Estimated
Metropolitan Airports Commission	59,919,249	2%	Actuarial
City of Hibbing	55,984,248	2%	Estimated
ISD # 706 - Virginia	55,886,195	2%	Estimated
ISD # 709 - Duluth	53,866,000	2%	Actuarial
ISD # 695 - Chisholm	50,000,000	1%	Estimated
ISD # 2711 - Mesabi East	48,169,031	1%	Estimated
ISD # 196 - Rosemount-Apple Valley	45,345,870	1%	Estimated
ISD # 696 - Ely	35,679,345	1%	Estimated
ISD # 701 - Hibbing	32,532,166	1%	Estimated
Cass County	31,100,000	1%	Estimated
Total of top twenty OPEB liabilities	**$ 2,466,858,578**	**73%**	
Total statewide OPEB Liability	**$ 3,374,134,684**	**100%**	

While some of the entities listed above also have a high OPEB liability to total current revenues ratio, several do not, meaning that even though the overall dollar figure is high, their ability to pay may be high as well.

Local Governments with OPEB Problems

The chart below shows the top 20 local governments in terms of OPEB liability as a percent of their current revenues. As stated previously, the comparison of these liabilities to the entities' annual revenues does not represent what the local governments will be paying annually, but rather is a way to compare the relative size of the OPEB liability from one entity to the next. The State Auditor would strongly argue that any entity with an OPEB liability greater than 90 percent of its current revenues should address the problem immediately. This unfavorable ratio means they may have a looming fiscal crisis that needs to be addressed quickly before it gets any worse. There are currently 20 entities that have reached this threshold.

Top Twenty OPEB Liabilities as a Percent of Total Current Revenues

Entity Name	OPEB Liability	Total Current Revenues	OPEB Liability as a Percent of Total Current Revenues	Actuarial or Estimated Liability
ISD # 316 - Greenway	$ 88,268,674	$ 12,867,881	686%	Estimated
ISD # 695 - Chisholm	50,000,000	8,209,647	609%	Estimated
ISD # 696 - Ely	35,679,345	6,242,068	572%	Estimated
ISD # 2711 - Mesabi East	48,169,031	9,135,808	527%	Estimated
ISD # 706 - Virginia	55,886,195	16,451,059	340%	Estimated
City of Hibbing	55,984,248	17,414,169	321%	Estimated
ISD # 255 - Pine Island	29,800,000	9,912,659	301%	Estimated
City of Duluth	279,934,736	110,612,541	253%	Actuarial
ISD # 318 - Grand Rapids	104,194,781	42,713,857	244%	Estimated
Big Stone County	19,792,847	8,326,185	238%	Estimated
City of International Falls	18,422,155	10,287,199	179%	Estimated
Metropolitan Council	274,967,283	162,609,283	169%	Actuarial
ISD # 701 - Hibbing	32,532,166	24,437,091	133%	Estimated
City of Hastings	20,108,368	16,111,589	125%	Estimated
City of Chisholm	5,748,650	4,824,551	119%	Estimated
City of Virginia	15,702,173	13,850,018	113%	Actuarial
Ramsey County	530,000,000	472,015,470	112%	Estimated
ISD # 750 - Rocori	20,086,600	19,833,283	101%	Estimated
Lyon County	16,000,000	16,197,807	99%	Estimated
Pope County	11,200,000	11,902,193	94%	Estimated
Total of top twenty	**$ 1,712,477,252**	**$ 993,954,358**	**172%**	
Total statewide OPEB Liability	**$ 3,374,134,684**	**$ 12,466,219,229**	**27%**	

Real Problems for Some School Districts

The fact that so many of the top twenty in the above chart are school districts (seven of the top ten) is a very real concern. These unfunded liabilities will have a real impact on these districts as it may be difficult for them to reduce costs enough and/or tax their way out of the problem.

Unlike other local governments, schools are prohibited by law from filing for bankruptcy.[6] This means there may be ramifications for the state as well, since the state is responsible for such a large portion of school funding. The Department of Education will have to monitor these districts closely.

Generous Benefits

Not surprisingly, the eighteen local governments that currently have OPEB liabilities in excess of 100 percent of the their total current revenues, either did, or still do, offer generous benefits to their retirees. Thirteen of them still offer postemployment healthcare, and eight still offer healthcare for life. Ten offer family coverage (eight of them for life), and four offer dental coverage.

[6] Minn. Stat. § 471.831.

OPEB Liability by Location

Another way to examine OPEB liabilities is to summarize the data by geographic area. Presenting the data this way highlights geographic areas of the state where OPEB liability is most pronounced. This can be especially important for those taxpayers who reside in areas where there is overlapping OPEB liability (for example, City of Hibbing and the Hibbing School District). Taxpayers who live in areas where the school district, city, and perhaps a county or special district have high levels of unfunded OPEB liability could be susceptible to large increases in their property taxes. The maps on the following pages show school district and county levels of OPEB as a percent of total revenues.

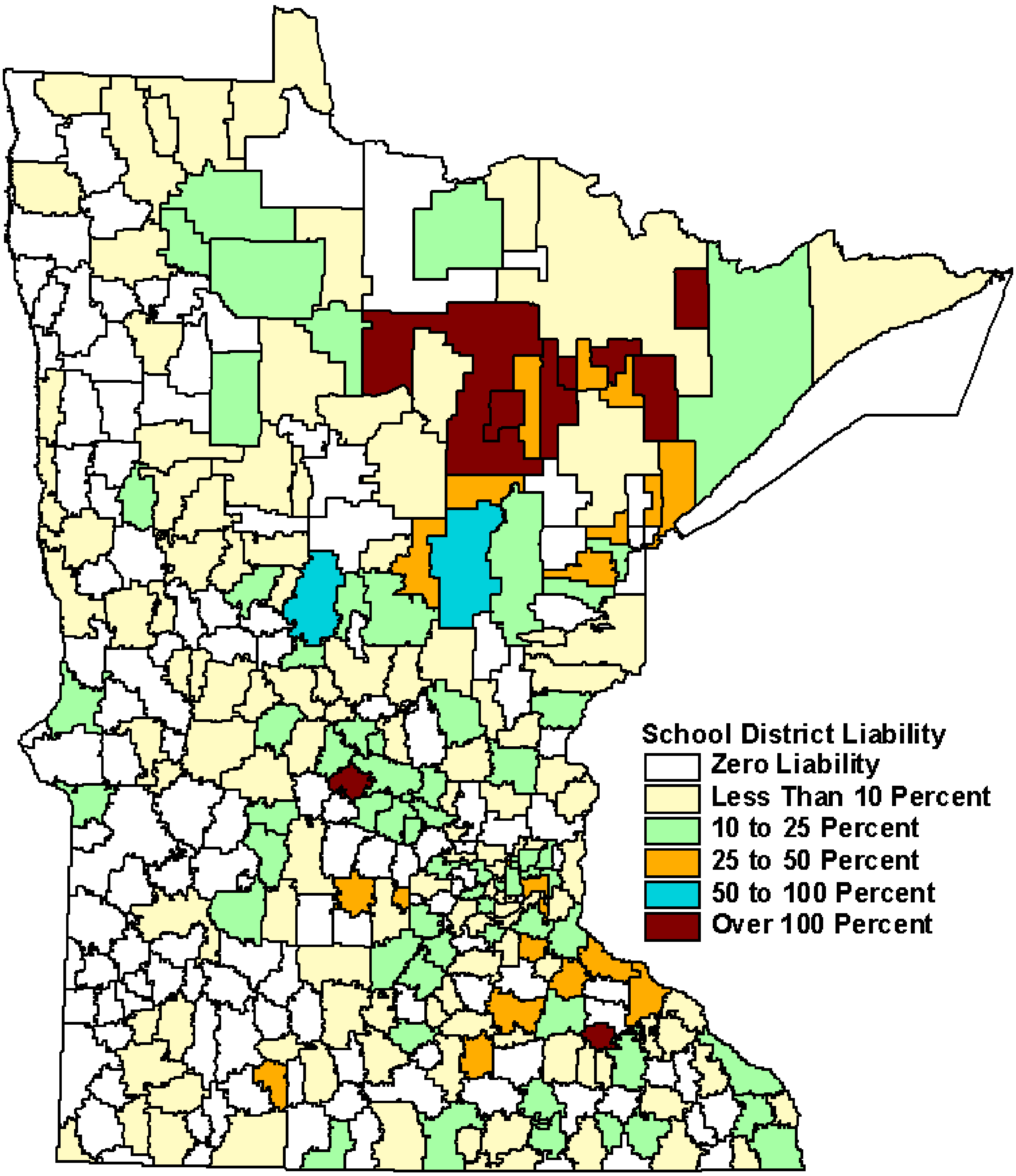
Cities
Among cities, there are relatively few that have an OPEB liability that represents more than even 25 percent of their total revenues. For those that do, they are mostly clustered in the 7-County Metropolitan Area and along Highway 169 between Grand Rapids and Biwabik, although there are notable exceptions such as Duluth. Many of those cities along Highway 169 are older Iron Range cities that historically provided more generous benefits. Some of these cities represent the acute problems of overlapping OPEB liability with the local school district. The table on page 20 illustrates the problem for two cities along this corridor.

School Districts
OPEB liability is fairly common for school districts around the state, although those in the western part of the state appear to have very little. As with the cities, the Highway 169 corridor between Grand Rapids and Ely have the greatest concentration of school districts with high OPEB liabilities. Seven school districts along this highway have a collective OPEB liability of $414,730,192, which represents 12 percent of all OPEB liabilities statewide.[7] Other areas that show higher levels of OPEB liability are south of the Twin Cities between Red Wing and Mankato. Many school districts negotiate contracts that reflect what is offered in neighboring districts, resulting in more clustering among the school districts.

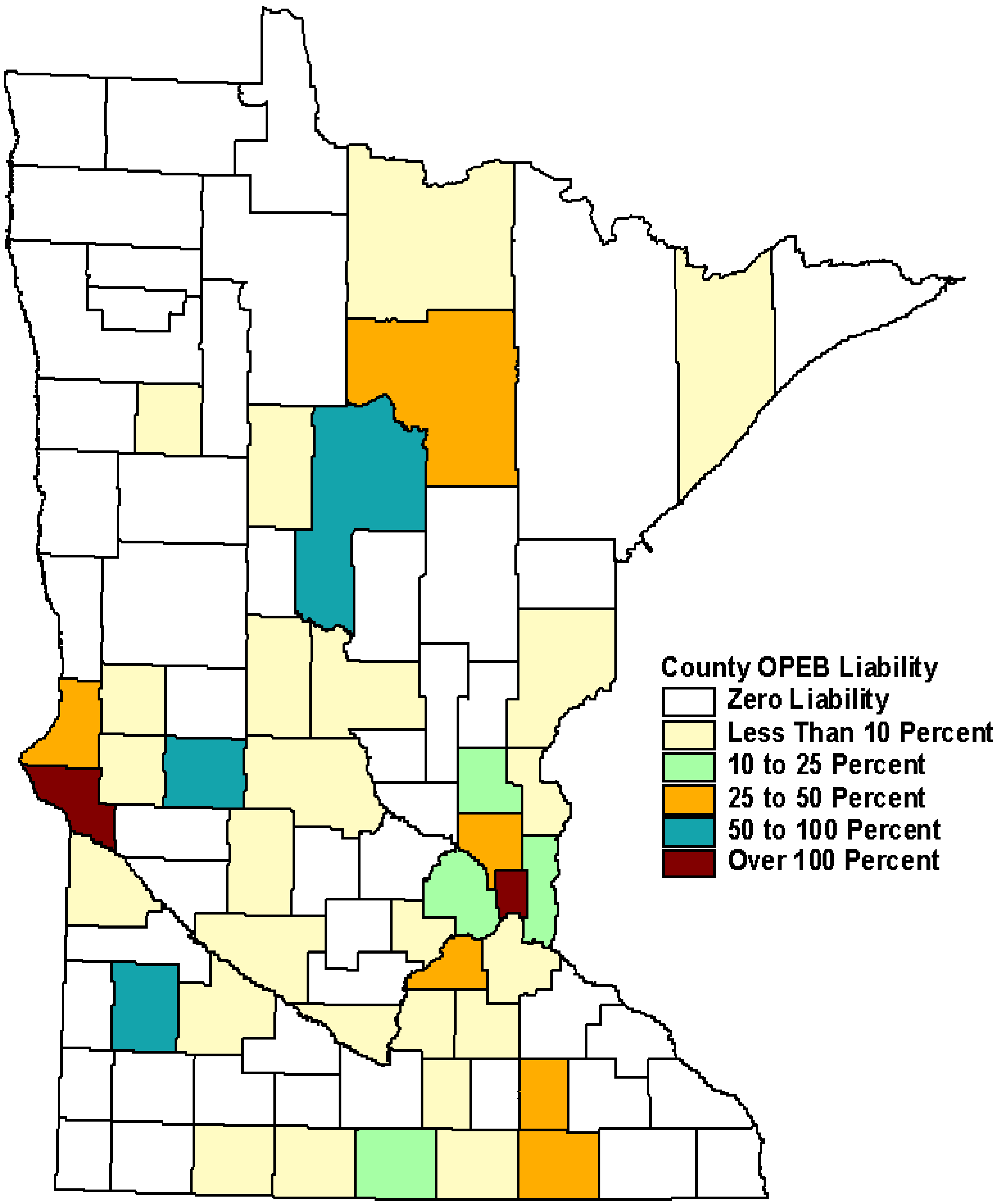
Counties
There are only 11 counties that have an OPEB liability greater that 25 percent of their current revenues. In the metro area, Anoka, Ramsey, and Scott Counties fit this category. There are not any concentrations of counties with high levels of OPEB. The only counties that appear to have some overlapping OPEB liability concerns are Cass, Itasca, and Ramsey. Itasca and Cass counties have a number of school districts that have OPEB liabilities greater than 100 percent of their current revenues. The City of St. Paul and the St. Paul School District have OPEB liabilities above 40 percent of total current revenues which when combined with the county's OPEB liability could present some serious challenges to local officials.

[7] The school districts are Chisholm, Ely, Grand Rapids, Greenway, Hibbing, Mesabi East, and Virginia.

OPEB Liability as a Percent of Total Revenues for School Districts



OPEB Liability as a Percent of Total Revenues for Counties



Examples of Overlapping OPEB Liability

Entity Name	Entity Type	Total OPEB Liability	Total Current Revenues	OPEB Liability as a Percent of Total Revenues
City of Chisholm	City	5,748,650	4,824,551	119%
ISD # 695 - Chisholm	School District	50,000,000	8,209,647	609%
Total Overlapping OPEB		**$55,748,650**	**$13,034,198**	**428%**
City of Duluth	City	279,934,736	110,612,541	253%
ISD # 709 - Duluth	School District	53,866,000	113,126,657	48%
Total Overlapping OPEB		**$333,800,736**	**$223,739,198**	**149%**
City of Hibbing	City	55,984,248	17,414,169	321%
ISD # 701 - Hibbing	School District	32,532,166	24,437,091	133%
Total Overlapping OPEB		**$88,516,414**	**$41,851,260**	**212%**
City of St. Paul	City	180,000,000	329,488,923	55%
ISD # - 625 St. Paul	School District	221,411,000	546,727,138	40%
Ramsey County	County	530,000,000	472,015,470	112%
Total Overlapping OPEB		**$931,411,000**	**$1,348,231,531**	**69%**

OPEB Benefits Offered

An examination of those entities that offer or have offered OPEB benefits found that 270 entities or 75 percent of the 362[8] entities with OPEB continue to offer OPEB to one or more of their employee groups. For example, a city may offer OPEB to the police and fire employees but not to parks and recreation employees. For those that continue to offer benefits, the most common type benefit is single health coverage.

A total of 263 or 73 percent of the total offering OPEB provide single health coverage. Of those that offer it, 59 percent offer it to age 65 and 14 percent offer it for life. The remaining entities offer the benefit to varying degrees. Examples include but are not limited to: a maximum number of years ranging from 2 to12; until Medicare-eligible; capped at a certain dollar value; an age greater than 65; and, funding Health Reimbursement Arrangements (HRA's).

In addition, 167 entities or 46 percent currently offer family health insurance coverage as an OPEB. Of those that offer this benefit, 57 percent offer it until age 65 and 19 percent offer it for life. The other entities offering this benefit offer it in ways similar to those listed for single coverage. At least one entity limits its payment for spousal coverage to 50 percent of the cost.

The other most common OPEB provided to employees is life insurance. A total of 67 or 19 percent of the entities providing OPEB provide life insurance. The next most common post retirement benefit currently offered is dental coverage. A total of 38 entities or 11 percent of those offering OPEP provide dental coverage.

Eligibility Requirements

Local governments that offer OPEB have various eligibility requirements. The requirements vary not only by entity but also by employee types within a single entity. The most common eligibility requirement for OPEB is reaching retirement age while still employed by the entity. The next most common eligibility requirement is at least fifteen years of service, followed by 10 years of service. The least strenuous requirement is 3 years of service. Minneapolis firefighters and police have the three-year requirement, as does the superintendent in the Cleveland School District.

Other eligibility requirements listed include: rule of 90 (age plus years of service equaling 90 years); years of service ranging from 12 to 30 years; PERA eligible; reaching age of 55 or 65; and various age plus service rules.

[8] See Footnote 1.

Strategies for Dealing with OPEB

The strategies below have been employed by local governments to address their OPEB liabilities. Since each situation is unique, local governments with OPEB liability will have to determine which combinations of actions best fit their situation and needs.

For those local governments with an OPEB liability, dealing with the problem presents some very real challenges. Even those local governments with a relatively small liability need to take immediate steps to address the problem. For those local governments with a larger liability, failure to act now could be a matter of financial life or death.

The first step in addressing OPEB funding issues is to ensure that all stakeholders understand the situation. This means not just elected officials, but also citizens, beneficiaries, bondholders and others. Beyond knowing what OPEB are, understanding that the current obligation developed over time, in some cases over decades, is vital to developing solutions. Decisions made by many different people over long periods of time have led to the current obligations, so finger pointing will only delay progress.

Understanding the Size of the Problem

While estimates are helpful tools in getting an idea of the size of an OPEB liability, an actuarial study will give a local government a fine tuned idea of what it might be facing.

Even without an actuarial study it is in the interest of all stakeholders to immediately begin effecting solutions to address these obligations, especially for those entities with a large OPEB liability. Every day OPEB liabilities are not addressed increases the accrued obligation. Taking action sooner, rather than later, will save taxpayers money in the long run.

All parties should acknowledge the contributions needed from them and should work together toward a solution. Elected officials and local government administrators may have to make difficult and sometimes unpopular decisions. Depending on the scope of the problem, current employees and other beneficiaries may have to accept some changes in the manner of distributing benefits. Citizens may have to accept rate increases and/or an increase in taxes.

The possible strategies listed below are by no means comprehensive – there may be other avenues that can be explored when dealing with OPEB. However, they represent a sampling of strategies employed by local governments. Many of the examples come from the City of Duluth, as they have been one of the most visible local governments dealing with a very large OPEB liability.

There are two basic approaches to dealing with an OPEB liability – reducing costs and increasing revenue. *Entities with large OPEB liabilities will have to do some of both in order to meet their OPEB obligations.*

Reducing Costs

A local government with an OPEB liability, especially a sizeable one, should begin addressing the problem immediately. When considering cost reductions, it is important to look at the costs associated with benefits paid to current employees as well as current and future retirees.

Administrative Steps

In looking to reduce costs, the following administrative steps are options many local governments consider:

- Minnesota RX Connect is a Web site[9] established by the Governor to help Minnesotans obtain the best value possible when purchasing prescription drugs on an individual basis. Individuals are not the only ones who can benefit from comparing costs and in some cases importing drugs from other countries, local governments can benefit too. Duluth is in the process of testing a system of importation on a limited formulary basis. They estimate that it is feasible for them to achieve an annual savings of $800,000.

- Taking advantage of Medicare Part D funding. Provisions of Medicare Part D address employers who provide prescription drug benefits to retirees. If an employer provides Medicare-eligible retirees prescription drug benefits that are at least actuarially equivalent to those that otherwise would be provided by Medicare, the Federal government will make subsidy assistance payments either directly to or on behalf of the employer. For purposes of the Medicare Part D program, Federal subsidies or "reimbursements" to or on behalf of the employer are not considered Federal aid.[10] For example, Duluth offers a prescription drug benefit to retirees and participates in the Medicare Part D reimbursement program. The money reimbursed to the local government is considered revenue and can then be directed to help pay OPEB costs.

- The City of Duluth is aggressively attacking the cost of prescription drugs in other ways as well:
  - Pushing the use of generics – including using generics that are therapeutic alternatives. E.g., Lipitor is a very popular drug with no generic alternative; however, Zocor – a therapeutic alternative to Lipitor – does have a generic.
  - Reducing the copay for generics.

- Consolidating like benefit plans; incorporating all employees under one umbrella of coverage. For example, the citizen task force appointed to evaluate Duluth's OPEB liability recommended that the city insure both active employees and retirees under the same fully insured plan. Without a substantive change in benefits to retirees, the city could reduce their costs by 20 percent and the accrued actuarial liability by as much as 23 percent.[11]

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[9] Can be accessed by going to www.state.mn.us.
[10] For more information visit: http://www.cms.hhs.gov.
[11] For more details, see the report issued by the Duluth task force Dec. 12, 2005 – available at: www.ci.duluth.mn.us

- Ensuring that the local government is not overpaying retiree benefits. Internal controls and procedures need to be in place to ensure that the local government is not paying out more in benefits than it is required to. For example, Duluth's Human Resources Division audited their benefit payments and uncovered significant numbers of improperly applied benefits.[12]

Adjusting Current Employees Benefits

Seeking concessions from current employees is a step that has been taken by many local governments. These concessions may help control costs in the short term while also limiting the OPEB liability in the future. If a local government offers OPEB, retirees will be entitled to the same level of benefits they were receiving at retirement, unless the contract specifies differently. This means adjustments to current benefit levels can have a positive effect on the entity's future OPEB liability.

- Adjusting employee contracts so that they end at age 65, at which time retirees would enroll in Medicare Part B.

- Adjusting the conditions for employees to qualify for OPEB. Below, find some examples of qualification conditions used by local governments in Minnesota:

    - 30 years of service,
    - Age 55 with 20 years of service,
    - Fulltime prior to 1991,
    - Fulltime and over 60 years of age,
    - Rule of 85, or at least age 58 with 20 years of service, or age 60 with 10 years of service,
    - Rule of 85, or age 65 with 10 years of service,
    - Age 60, with 30 years of service.

    It is important to note that there are many other permutations; the above examples offer a range of the various requirements for OPEB throughout the state.

- Aligning benefits (current and OPEB) with length of employee service. In some cases, current employee benefits are structured to administer greater benefits as an employee's length of service increases over his or her career. The obligation is therefore greatest for those employees who serve the longest. For example, Carlton County Children and Family Services use an incremental system; they increase the amount/level of the premium paid with years of service.

- Transitioning to a defined contribution health plan upon retirement as opposed to a defined benefit plan. The following are several examples of plans currently in use by some local governments:

[12] Ashenmacher, Will. "Some city benefits misapplied." Duluth News Tribune 24 June 2006 .

  - Health Reimbursement Accounts (HRA's) are employer maintained accounts that can serve as a source of money in a defined contribution benefit plan.

  - Voluntary Employee Benefit Association (VEBA) allows for tax-deferred contributions to a trust account on behalf of an employee. A VEBA account may be funded throughout an employee's career or may be funded by cashing out an employee's accumulated leave or severance payment. For example, the Belle Plaine School District (ISD 716) uses a VEBA.

  - Health Savings Accounts (HSA's) are employee owned health-spending accounts. They can be used to fund current or future health expenses. For example, the Browerville School District (ISD 78) uses HSA's.[13]

- Not offering postemployment health benefits to non-traditional retirees (those retiring before age 65 or Medicare eligibility) – although, police and fire have been exceptions. Many local governments have already negotiated this benefit out of employee contracts. While it will not negate or lower the liability for current retirees, it limits the liability going forward.

- Modifying the percentages of employees' healthcare premiums that are covered; i.e., paying less than100 percent of the healthcare premium. For example, the City of Corcoran pays half of the cost of single coverage.

- Adjusting the percentage of premium coverage for family and dependents. The city of Nashwauk pays full OPEB for employees and half of the cost for a spouse.

- Instituting a fixed dollar employer contribution, i.e. paying retirees a set dollar amount per month, during retirement, toward insurance premiums. Several school districts currently do this, as did the City of Anoka.

- Adjusting the method of paying out unused sick leave. For example, Park Rapids School District pays 50% of an employee's unused sick leave toward healthcare premiums.

Usually, public employers cannot unilaterally change the current or future benefits of its employees. Minnesota Statutes specifically prohibit public entities from reducing the "aggregate value of benefits" provided by group insurance to employees covered by a collective bargaining agreement.[14] Courts have held that benefits are reduced if employees are required to pay more towards their health insurance or the network of medical providers is reduced.[15] Even if medical benefits are instituted for a limited time by governing board resolution, an arbitrator may determine that the benefit has become a "past practice" and not subject to termination unilaterally by the employer.[16] Therefore, public employers need to proceed cautiously, with

[13] The Minnesota State Retirement System administers health care savings plans available to local government employers and employees pursuant to Minn. Stat. § 352.98.
[14] Minn. Stat. § 471.6161 sub. 5.
[15] West Saint Paul Federation of Teachers v. ISD 197, 713 N.W. 2d 355 (Court of Appeals – 2006).
[16] In Matter of Arbitration, Norman County and AFSCME Council 65, BMS Case No. 04-PA-1016 (2005).

advice of legal counsel, in any action to modify current or future health benefits provided to their employees.

Seeking Concessions From Current Retirees

Some local governments in which the OPEB liability is so large that it seriously threatens the fiscal health of the local government involved have considered seeking concessions from current retirees. Concessions must be voluntary since, in the past, the courts have decided that retiree benefits cannot be lowered after retirement.

For example, the Chisholm Housing and Redevelopment Authority was stopped from discontinuing payments for retiree's health insurance. The Minnesota Supreme Court ruled in that case that the collective bargaining agreement in effect at the time of retirement locks in those healthcare benefits for the rest of the retiree's life.[17] When Mower County tried to impose a premium payment on retirees for one half of any increased premium or $15 per month, which ever was less, it was struck down by the Courts. Again, it was held that the County's obligation to pay the entire premiums vested for life when the employee retired and could not, absent agreement by the retiree, be amended.[18]

Increasing Revenue

Unfortunately, cost reduction strategies may not be enough to address the OPEB liability for some local governments. In fact, some local governments will need to adopt both cost reduction and revenue-raising approaches in their OPEB plans. Raising revenue for OPEB will mean either taking money from existing programs, or increasing taxes and fees.

Cities and counties have the most options for raising revenue for OPEB. They can raise property taxes and/or local fees. Those that provide public utilities can raise rates. They also have a diverse mission so that they have more possibilities for cutting services.

School Districts, on the other hand, have few options. They are a single purpose form of government that is largely funded by the state. Cutting services is not practical since much of the aid they receive is categorical, and therefore must be spent on specific programs. They have relatively little discretionary money to spend. Since school districts are more broadly affected than any other type of local government, and since they have the most limited options, property taxpayers in school districts with large OPEB liabilities could be hard hit with funding referendums in the coming years as school districts struggle to meet their obligations.

Setting Money Aside Now

One of the best ways critically affected local governments can raise revenue for their OPEB liabilities is to set aside money now using the best investment options available to them. Even starting with small sums now can have a significant impact on OPEB liability down the road.

[17] Housing Redevelopment Authority of Chisholm v. Norman, 696 N.W. 2d 329 (Minn. 2005).
[18] Law Enforcement Labor Services, Inc. vs. County of Mower, 483 N.W. 2d 696 (Minn. 2005).

Pitfalls of Failing to Address OPEB

Failure to address growing OPEB liabilities for critically affect local governments may lead to the following problems: degradation of services, failure to meet obligations to current and retired employees, damage to the entity's credit rating, and bankruptcy. Switching to actuarial—or full funding—from a pay-as-you-go practice will allow entities to avoid these pitfalls.

Degradation of Services

Delaying measures to address OPEB obligations could lead to the degradation of services. Because of the swift rate at which these obligations can accrue, even brief delays in the implementation of measures could significantly impact an entity's ability to provide services to its constituents.

Failure To Meet Obligations To Current and Retired Employees

Failure to address current and future funding of benefits could impact an entity's ability to meet its obligations. Although the pensions of local government are guaranteed in Minnesota through the statewide pension plans, healthcare benefits for the same employees administered by individual local government employers are not guaranteed by the state. Rather, each local government employer is liable to fund its own contracted or promised OPEB benefits. The individual entity's ability to pay for these benefits will determine whether these benefits are ultimately available to employees upon retirement. For this reason, it is crucial that all concerned parties' work together to make the necessary adjustments to ensure the ongoing ability to pay out benefits.

Damage To Credit Rating

For entities that bond or use credit in other ways, the status of their OPEB liabilities and what, if any, plan is in place to address the matter will impact their credit ratings. Like any other large unfunded liability, it could have a negative effect on the local government's ability to bond or use credit in other ways. In general, credit rating agencies are liable to look more favorably at a local government if it has a solid and well-defined plan for dealing with its OPEB liability. Appendix C presents the opinions of three major credit rating agencies: Standard and Poor's, Moody's Investor Services, and Fitch Ratings.

Bankruptcy

Public entities should be able to manage their OPEB liabilities through their use of an OPEB trust and/or other strategies. For those few entities with a very significant OPEB liability, failure to address the funding issue may have consequences beyond a damaged credit rating. Failure to currently fund the annual required contribution (ARC) could place the public entity in a position where it will, at sometime in the future, be unable to pay its current bills. This will make the public entity eligible under federal and state law to file bankruptcy. It should be noted, however, that School Districts are not eligible for bankruptcy.[19]

[19] Minn. Stat. § 471.831.

Addressing OPEB: City of Duluth

Perhaps the most high profile OPEB situation in the state concerns the City of Duluth. In an attempt to take $1 to $2 million in liabilities off the books in 1983,[20] the City renegotiated retiree benefits and began offering health care "for life" to city employees upon retirement, in some cases with as little as three years of service. At the time it was not considered a major benefit concession, however, after more then twenty years it has grown into an unfunded liability of over $280 million for the city and its taxpayers.

Years of inattention on the part of previous City Administrators and Councils have led to the snowballing effect of the liability. Twelve years ago, the State Auditor's Office first commented on the growth of this problem in Duluth. Four years later, in 1998, Duluth's liability was $34.2 million or 12 percent of today's mammoth sum. The problem has continued to multiply, as illustrated in the report by the citizen task force convened to consider the city's situation:

> *"While a large sum ($34.2 million), if funding had begun at that time, the City would now have a sizeable trust fund in place and be on the road to beginning to solve the problem. Unfortunately, the City Administration and the Council did not address the issue at that time. Four years later, on January 1, 2002, the present value of these current and future obligations had risen to $178.5 million, more than a five-fold increase."*[21]

The city is currently covering its OPEB liabilities on a pay-as-you-go basis, meaning that it is paying the bills each year out of the current year's revenues without setting any money aside to pay for future liabilities. In 1996 the payments were only $1.75 million, but by 2005 they had grown to $6.8 million. To put the current payments into perspective, Duluth collected about $5.8 million in property taxes in 2005. The annual OPEB liability of retired City workers is currently $6.8 million – one million dollars more than the property taxes paid. So in essence, all of the property taxes paid by citizens for general operations go toward paying current retired city employees' healthcare, while Local Government Aid and other revenues cover the city's other expenses (police, fire, streets, administration, etc.).

According to the actuarial study, the city should be setting aside over $26 million per year to cover its future OPEB liabilities. This represents almost one-third of the City's total current expenditures in 2005 of $87 million.

The city convened a citizen Task Force to consider all of the issues and to propose solutions. In December of 2005, that Task Force drafted a 15-point plan to address the problem. The first fourteen points were ways to reduce costs and raise revenue, including adjusting benefits, raising property taxes and increasing utility rates for city owned utilities. Point 15 said that if the first 14 points were not implemented that the next step would be to hire a bankruptcy attorney. The City Council has endorsed the plan. The Mayor, while not endorsing the plan, has also proposed benefit reductions and even employee layoffs to help cover the liability.

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[20] Primarily liabilities related to the accrued value of compensated absences.

[21] Final Report. City of Duluth, Minnesota. Post Employment Health Care Benefits Task Force, 2005.

While more needs to be done, public officials in Duluth have already begun the process of dealing with and managing its OPEB liability. (See earlier section on cost reductions for further examples of Duluth's approach to OPEB.)

Addressing OPEB: Wayzata School District

Wayzata's School District (ISD 284) has a significant OPEB obligation – $24,950,000 or about 24 percent of its annual revenue. However, astute financial management by the Wayzata School District means it has already set aside $21,362,620 toward that liability and it continues to do so. The district pays a little over $1 million annually to cover its current obligations. However, the district is putting aside an additional $1.5 million toward closing the gap between its overall actuarial liability and the funds currently set aside. Because of the substantial amount already set aside, interest alone is contributing about $850,000 of the $2.5 million annual expenditure.

Addressing OPEB: Metropolitan Council

The Metropolitan Council – which no longer offers OPEB – has a liability of $274,967,283. This is a substantial financial obligation. However, it is taking steps to address the obligation. It has set aside $44.2 million to fund OPEB and is requiring all divisions to continue to fund the normal cost plus pay-as-you-go benefit payments until funding is adequate to cover all future benefit payments. These actions, including negotiating a sunset of this retirement benefit for all new employees, contributed to reducing its obligation by over $93 million in less than three years.

Recommendation: *Authorize Trust Investment*

While resolving OPEB liability is something that must be accomplished at the local level, there is one very important thing the state can do to help local governments manage the problem: **pass legislation authorizing the creation by local governments of investment trusts for OPEB**.

Currently, Minnesota law does not allow public entities to create trusts or utilize other types of investments such as stocks to fund OPEB obligations.[22] Authorizing trusts would have two advantages for government entities with OPEB liability. First, to the extent a public entity puts money in the trust, beyond the claims of its creditors, the governmental entity will qualify under the GASB No. 45 to represent on its financial statement that it has funded its OPEB liability.

Second, a trust would be eligible to use a more expansive list of investments than those currently available to government entities. This would result in an increase investment return to reduce future liabilities. For instance, if the City of Duluth could invest through the State Board of Investment, which uses a public pension investment standard, it could reduce its $289 million OPEB liability by an estimated $100 million. Based on an analysis of the rate of return, oversight possibility, and applicable fees to investors, the State Board of Investment (SBI) would be in an ideal position to invest these trusts on behalf of local governments. Currently, with a few exceptions, the Public Employee Retirement Association (PERA) provides local government employee pensions invested through the SBI. The system already in place would allow local governments to manage their OPEB liabilities similarly.

During the last legislative session, there was general agreement that authorizing trusts to meet OPEB obligations is necessary and responsible. Unfortunately, disagreements over certain policy matters ultimately prevented the legislation from being passed. Passing this legislation needs to be a major priority at the capitol. This single act could lower the unfunded liabilities of local government by as much as $1 billion statewide.

Therefore, the State Auditor strongly recommends that this legislation be passed and signed into law as soon as possible during the coming legislative session.

[22] Letter to State Auditor Patricia Anderson from Assistant Attorney General Kenneth Rashke Jr., dated June 6, 2006. A number of government entities created trusts without authority. Those trusts may be currently investing public funds in violation of the Public Investment Law, Minn. Stat. ch. 118A. Until legislation regarding OPEB trusts is enacted compliance issues regarding these trusts will remain.

Conclusion

There is no doubt that the $3.37 billion OPEB liability is a large unfunded liability for local governments in Minnesota. However, when examined closely it is plain that while the problem is large, it directly affects a relatively small number of local governments throughout the state. In fact, 79 percent of local governments report no OPEB liability at all. Among the 343 entities that reported a liability, 53 of them account for 90 percent of the total liability statewide. These 53 entities are primarily concentrated in the metropolitan area and in northeastern Minnesota.

There are a handful of local governments for whom these OPEB liabilities will be, if they are not already, the cause of intense fiscal pain, and perhaps crisis. In fact, state intervention in some fashion may even be necessary for some acutely affected school districts. However, for most local governments in Minnesota with an OPEB liability, the problem should be manageable if timely steps are taken to address it. This will be especially true if the legislature authorizes trust investment for local governments.

Appendix A
Technical Summary of GASB 43 and 45[23]

A. Introduction - The Government Accounting Standards Board (GASB) issued Statement No. 43 (GASB 43) entitled "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" in April, 2004. GASB issued GASB 45 entitled "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" in June, 2004.

Notice on terminology:
The term "postretirement" is sometimes used instead of "postemployment". While somewhat confusing, it is understandable, given the generally different approaches given to such benefits by FASB (Financial Accounting Standards Board) and GASB.

B. Types of benefits included in OPEB - With the exception of postemployment healthcare benefits OPEBs generally include any benefit not provided under a pension plan. GASB 43 and 45 cover postemployment healthcare benefits even if provided through a defined benefit pension plan. Besides healthcare benefits, OPEBs include life insurance, disability, and long-term care benefits when they are provided separately from a defined benefit pension plan.

C. Effective dates - For the purposes of defining the effective date of the standards, GASB 43 and 45 use the terms *phase 1 government, phase 2 government, and phase 3 government* where such terms are defined in GASB 34, paragraph 143. The following table shows the definition of these three phases and their respective GASB 43 and 45 effective dates:

Phase	Total annual revenues (1)	GASB 43 applies for periods beginning after the following dates:	GASB 45 applies for periods beginning after the following dates:
1	$100,000,000 or more	12/15/05	12/15/06
2	$10,000,000 - $100,000,000	12/15/06	12/15/07
3	Less than $10,000,000	12/15/07	12/15/08

Note 1 - Based on a government's total annual revenues in the first year ending after 6/15/99.

D. Overview of Summary - Although GASB 43 and 45 are accounting standards, they require a significant number of actuarial calculations. Conceptually, the accounting entries are based on the actuarial calculations and vary to some extent depending on the type of government financial

[23] Summary taken from the website of J. Richard Hogue, F.S.A. http://www.hoguejr.com/gasb.htm

statement to which the statement applies. For the sake of simplicity, this summary focuses only on the actuarial calculations that do not vary by type of financial statement except for a simplified alternative measurement method that would be available to employers in plans with fewer than 100 members. A further simplification is made in this summary by not considering certain adjusting calculations that might be required in the second and subsequent years by employers.

E. Overview of Actuarial Calculations

1. Actuarial valuation - The actuarial calculations are performed in what is referred to as an actuarial valuation. The frequency of the actuarial valuation depends on the total membership as shown in the following table:

Total Membership (1)	Required Frequency
200 or more	At least biennially
Fewer than 200	At least triennially

Note 1 - Total membership is the sum of the number of employees in active service, terminated employees who have accumulated benefits but are not yet receiving them and retired employees and beneficiaries currently receiving benefits.

The actuarial valuation involves using the following to make certain calculations related to the plan:

a. Actuarial cost method
b. Actuarial assumptions
c. Plan assets
d. Employer census data

2. Actuarial cost methods - There are the following six acceptable actuarial cost methods:

a. Entry age
b. Frozen entry age
c. Attained age
d. Frozen attained age
e. Projected unit credit (with projected unit credit being acceptable in certain situations)
f. Aggregate

All methods differ only in the manner in which they amortize the value of benefits that are generally split between benefits related to past and future service. None of the methods can be characterized as overly aggressive or conservative from the standpoint of the results generated. For this reason, with the exception of the Aggregate method, there does not seem to be any inherent advantage or disadvantage in any of the methods. The Aggregate method does have the disadvantage of not generating some form of actuarial accrued liability, which is required for the notes to the financial statement. For this reason, it does have a disadvantage in this regard.

3. Actuarial assumptions - The following are the common actuarial assumptions used in a valuation:

   a. Demographic - the probability of the following events occurring at various ages:
      i. Dying
      ii. Terminating employment
      iii. Becoming disabled
      iv. Retiring
      v. Being married at retirement
      vi. Electing coverage in a contributory plan

   b. Economic
      i. Investment return
      ii. Healthcare cost trend rate
      iii. Current cost of healthcare coverage
      iv. Compensation increases
      v. Plan expenses

4. Plan assets - In order to be considered for the purposes of the Statement, assets must be transferred irrevocably to a trust for the sole purpose of paying benefits to plan participants when they become due. Earmarking of employer assets or other means of financing that do not meet this condition do not qualify as assets for the purposes of the Statement. For the purposes of the actuarial valuation, the value of assets should generally be related to their market value. This can include using the actual market value of the assets on the valuation date or some method that averages the market value over some period of time.

5. Employer census data - This will generally include various demographic data on currently active employees, retirees and terminated employees if they will be eligible for benefits some time in the future.

6. Plan - The plan comprises the provisions as generally understood by the employer and employees. This is referred to as the "substantive plan" and is generally the written plan subject, in some situations, to modification if certain written provisions do not reflect the general understanding of the parties involved. For example, if the employer has, in the past, increased the medical deductible to reflect inflation and it is generally understood that such practice will continue, the substantive plan will reflect this notwithstanding that the written document only references the current deductible. Also, it should be understood that the substantive plan includes, in most cases, benefits that are extended beyond the ending date of the current collective bargaining agreement.

7. Resulting calculations - It is easiest to view the resulting actuarial calculations as consisting of two phases as described below:

   a. Final calculation - The final step in the actuarial calculation process is the determination of the annual required contribution (ARC) of the employer. The ARC is what is used to determine the expense and liability values that appear on the employer's financial statements for the purposes of GASB 45.

It should be noted that despite the terminology used by GASB 45 (*i.e.*, the "Annual Required Contribution"), the ARC, as well as the annual OPEB cost resulting from the ARC, do not refer to actual contribution requirements, but to the employer's accrual expense. For this reason, they should not be interpreted as an amount required to be contributed to the trust, nor should any inference be made as to whether the ARC or annual OPEB cost would be the optimum contribution amount if the employer decides to pre-fund the plan.

b. Calculations on which the ARC is based - Except for the Aggregate actuarial cost method, the ARC is the sum of the following:

i. An amount calculated to amortize the unfunded actuarial liability - The statement permits such amount to be amortized over a period of up to 30 years. immediate recognition is permitted.

ii. An amount equal to the value of benefits considered as being earned in the current year - This is referred to as the Normal Cost.

The aggregate method does not split out the unfunded actuarial liability for special amortization and, as such, the above two components are combined into a single calculation of the ARC under this method.

F. Cost Sharing Employers and Employers with Defined Contribution Plans - These employers should recognize an annual OPEB expense or expenditure (such term varying by the applicable type of financial statement) equal to their required contribution to the plan. Recognition should be made on either an accrual or modified accrual basis, again depending on the type of applicable financial statement.

G. Notes to Financial Statements - This includes such items as the plan description, funding policy, information regarding the actuarial valuation, and other financial information related to the current cost and funding progress of the plan. Please see paragraphs 30 to 32 in GASB 43 and paragraphs 24 to 27 in GASB 45 for the items required of a plan and employer, respectively, to include in the notes to financial statements.

Appendix B
Implicit Rate Subsidies for Retirees[24]
And Provisions for Small Plans

Implicit Rate Subsidies

In health insurance plans where a government's retirees and current employees are insured together as a group, the premiums paid by the retirees may be lower than they would have been if the retirees were insured separately—this is called an *implicit rate subsidy*. Some believe that if the retirees pay 100 percent of their premiums without a specific contribution from the employer, then the employer should not be required to treat the implicit rate subsidy as an OPEB. The standards that were first proposed for public review were consistent with that point of view.

However, based on the comments received regarding those proposed standards, the GASB ultimately concluded in Statements 43 and 45 that exempting governments from including an implicit rate subsidy in their OPEB calculations would result in the annual cost and long-term obligations of their OPEB being significantly understated. Governments should therefore include implicit rate subsidies as OPEB.

Provisions for Small Plans

As mentioned above, actuarial valuations are required at least every two or three years, depending on the size of the OPEB plan. In recognition of the potential cost of hiring consultants to perform these valuations, the standards allow the smallest single-employer plans—those with fewer than one hundred members—and the employers that participate in them to estimate the AAL and the ARC using simplified methods and assumptions. (The method also is available to certain employers in agent multiple-employer plans.) The specifics of this *alternative measurement method* are described fully in Statements 43 and 45.

For more information visit: www.gasb.org.

[24] The above summary is from the report: Governmental Accounting Standards Board: Other Postemployment Benefits: A Plain-Language Summary of GASB Statements No. 43 and No. 45.

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Appendix C
Statements by Credit Rating Agencies Concerning OPEB

Standard & Poor's

Standard & Poor's views unfunded actuarial retiree health care obligations as debt like in nature, similar to pensions. While a history of audited pension liability trends have been incorporated into individual state and local debt ratings, OPEB actuarial liabilities, most yet to be quantified, present some uncertainties. Given that in many cases the OPEB actuarial liabilities are expected to be large and that liabilities also are expected to vary widely from employer to employer, the key to maintaining a stable credit profile for employers will be how they manage these liabilities. From a rating standpoint, OPEB obligations, like other cost pressures without offsetting resources, affect not only debt and management factors, but also financial. If any changes resulting from OPEB funding have the effect of adversely affecting an employer's financial position or flexibility, then credit quality may suffer.[25]

Moody's Investors Service

OPEB FUNDING STATUS WILL BECOME A MORE VISIBLE FACTOR IN CREDIT RATING PROCESS, SIMILAR TO PENSION OBLIGATIONS

As governments and their retirement benefit plans begin issuing financial reports in compliance with the new rules, OPEB funding status will become more visible among the many attributes Moody's assesses in the municipal credit rating process. While it will most closely resemble pension funding status, there are differences between the two types of obligations. OPEB obligations reflect medical cost trends, while those for pensions are based on salaries, over which a government's management has more control. On the other hand, retiree health benefits may be somewhat easier to modify than pensions, which may have stronger legal or contractual protection. Moody's views both OPEB and pension obligations as less binding than bonded debt, because they tend to allow some flexibility to alter the terms of the benefits (such as eligibility requirements), the assumptions used to derive the actuarial values of plan assets and liabilities, the liability amortization schedule, or other variables. Moody's therefore will exclude OPEB liabilities from calculations of state or local debt burdens, but include them as a factor in the overall credit assessment of an issuer. This practice is consistent with Moody's approach to municipal pension liabilities. Some governments provide post-retirement health benefits through pooled programs known as cost-sharing, multiple-employer plans. For these governments, the new standards will require reporting of OPEB payments in relation to the amount contractually mandated by their cost-sharing plans. Moody's may have to rely in these cases on the financial reports of the plans, rather than of the governments participating in them, for actuarial information on OPEB funding.

IMPORTANCE OF OPEB TO RATING PROCESS WILL DEPEND ON ISSUER'S OVERALL CREDIT STANDING

The extent to which OPEB funded status becomes an influential or decisive credit factor will depend on an issuer's current rating and how consistent its other attributes are with that rating. State and local governments' liabilities may be large in many cases, given the lack of prefunding in the past. For some issuers, it is possible that efforts to satisfy OPEB funding requirements will

[25] Funding OPEB Liabilities: Assessing The Options. Ed. Parry Young. 15 Dec. 2005. Standard & Poor's.

exacerbate fiscal pressure. Even so, Moody's does not anticipate that the disclosures required by the new rules will cause immediate and widespread rating adjustments. It is more likely that rating levels will be affected by observations of changes in OPEB funding measurements over time. Statistics such as the unfunded actuarial accrued liability (UAAL) – relative to payroll covered will be made available under the new rules, and Moody's expects to use these in the rating process.

Plans for UAAL amortization, amortization periods, use of debt, and differences between actual and required contributions will also figure into the analysis, along with actuarial assumptions about medical costs and other variables key to estimating OPEB liabilities. Issuers' flexibility under relevant statutes or contracts to modify their postemployment health benefit offerings will likely be another focal point. Moody's also will monitor financial reserve, liquidity and debt levels that will be affected as issuers begin to set aside funds for OPEB. In general, a state or local government's effectiveness and initiative in OPEB liability management probably will influence our overall assessment of the government's management strength.[26]

LONGER-TERM IMPACT OF REPORTING REQUIREMENTS WILL BE LARGELY POSITIVE
Even though compliance with the new accounting rules is expected to exert financial stress and to bring to light previously unknown liabilities, Moody's expects the disclosure effects will be largely positive over the long term. As previously mentioned, the rules will require governments to disclose and record the full current cost of benefits provided to employees. Governments will have a strong incentive, though not an obligation, to set aside funds for benefit obligations as they are incurred, which is in keeping not only with accounting principles but also with prudent financial management. Any resulting fiscal strain is likely to be more than offset in most cases by the positive implications of management practice improvements under the accounting rules.

Until the release of audited reports subject to the standards, the lack of actuarially derived OPEB liability information limits Moody's ability to make a more detailed assessment of how these future costs will affect state and local government credit. Expenditures on current retirees' healthcare costs are already incorporated in the rating process. GASB's schedule for compliance with the new OPEB reporting rules is staggered, with smaller-revenue governments afforded additional time. For states, the first financial reporting periods subject to Statement No. 45 will be those ending during calendar year 2008. A comprehensive overview of states' OPEB funding status is therefore not likely until early 2009, when published comprehensive annual financial reports covering fiscal 2008 become available. At that time, Moody's will focus on the OPEB factors listed earlier, including the UAAL size relative to key financial indicators and the plan for UAAL amortization. Before compliant financial statements become available, Moody's may request information from issuers on various aspects of health plans and other retiree benefits that factor into OPEB liabilities.[27]

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[26] Hoadley, Jack: "How States are Responding to the Challenge of Financing Health Care for Retirees"; The Henry J. Kaiser Family Foundation, September 2003.
[27] Other Postemployment Benefits (OPEB). Ed. Ted Hampton. July 2005. Moody's Investors Service.

Fitch Ratings: Credit Highlights

• Governmental Accounting Standards Board (GASB) Statement No. 45 will be the accepted accounting practice for governments as of its implementation dates. Failure to comply would prevent auditors from releasing a "clean" audit opinion.

• The switch to actuarial funding from a pay-as-you-go practice may have a sizable fiscal impact. However, Fitch Ratings believes that meeting actuarial funding requirements for other postemployment benefits (OPEB) will be a stabilizing factor and protective of credit over time.

• Fitch expects a wide range of unfunded liability positions to result as GASB 45 is implemented, reflecting the variability of benefits offered around the U.S. Annually required contributions are likely to place disparate burdens on the budgetary resources of state and local governments.

• Initially, Fitch's credit focus will be on understanding each issuer's liability and its plans for addressing it. Fitch also will review an entity's reasoning in developing its plan. An absence of action taken to fund OPEB liabilities or otherwise manage them will be viewed as a negative rating factor.

• For issuers choosing to ramp up annual contributions to reach full funding of actuarially determined levels, Fitch recognizes that a rising net OPEB obligation in the short term may be a by-product. Such an increase, taken in the context of a sound OPEB funding plan, will not by itself affect credit ratings.

• Fitch does not expect OPEB plan funding ratios to reach the generally high levels of pension systems for many years, but steady progress toward reaching the actuarially determined annual contribution level will be critical to sound credit quality.

• Assumptions play a crucial role in calculating plan assets and liabilities. As actuarial standards for OPEB plans become clear, Fitch will review the underlying assumptions and will view negatively any that are overly aggressive. When applicable, assumptions should be consistent with those adopted for the plan sponsor's pension system.

• Fitch will view OPEB liabilities, like pensions, as soft liabilities that fluctuate based on assumptions and actual experience. Reality dictates that an entity may opt to defer OPEB funding in times of budget stress. However, indefinite deferrals are damaging to credit quality. While not debt, pension and OPEB accumulated costs are legal or practical contractual commitments that form a portion of fixed costs. Long-term deferral of such obligations is a sign of fiscal stress that will be reflected in ratings.[28]

[28] The Not So Golden Years, Credit Implications of GASB 45. Ed. Joseph D. Mason. 22 June 2005. Fitch Ratings.

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Appendix D
Glossary of Terms Related to GASB 43 and 45

The definitions below are not legal definitions, rather they are provided to help in understanding other post employment benefits and the various factors that surround and contribute to the obligations they carry.

Accrual – A term used in accounts where income is due or a cost is incurred during an accounting period but has not been received or paid.

Actuary – A person trained and specializing in risk, statistics and finance that gives advice on insurance and pension business. Calculations made by actuaries include such items as premiums, bonus payments and life expectancy etc.

Accrual Rate – The rate at which benefits or funds build during a particular unit of time. Often the time period and the length of service affect the rate of benefits. The rate at which funds accrue is determined by the rate of return of the investment and the length of the investment.

Accrued Benefits – Benefits earned by an employee based on years of service.

Agent multiple-employer plan (agent plan) - An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each employer's plan to determine the employer's periodic contribution rate and other information for the individual plan, based on the benefit formula selected by the employer and the individual plan's proportionate share of the pooled assets. The results of the individual valuations are aggregated at the administrative level.

Annual OPEB cost - An accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB plan.

Annual required contributions of the employer(s) (ARC) - The employer's periodically required contributions to a defined benefit OPEB plan, calculated in accordance with certain parameters. They include (a) the normal cost for the year and (b) a component for amortization of the total unfunded actuarial accrued liabilities (or funding excess) of the plan over a period not to exceed thirty years.

Cost-sharing multiple-employer plan - A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to the employers. A single actuarial valuation covers all plan members, and the same contribution rate(s) applies for each employer.

Current financial resource flows measurement focus – The focus of governmental fund financial statements, which is on inflows of financial resources and on outflows of financial resources that generally arise when liabilities become due, and are expected to be paid, using available financial resources.

Defined benefit OPEB plan - An OPEB plan having terms that specify the *benefits* to be provided at or after separation from employment. The benefits may be specified in dollars (for example, a flat dollar payment or an amount based on one or more factors, such as age, years of service, and compensation), or as a type or level of coverage (for example, prescription drugs or a percentage of healthcare insurance premiums).

Defined benefit pension plan - A pension plan having terms that specify the amount of pension benefits to be provided at a future date or after a certain period of time. The amount specified usually is a function of one or more factors such as age, years of service, and compensation.

Defined contribution plan - A pension or OPEB plan having terms that (a) provide an individual account for each plan member and (b) specify *how contributions to an active plan member's account are to be determined*, rather than the income or other benefits the member or his beneficiaries are to receive at or after separation from employment. Those benefits will depend *only* on the amounts contributed to the member's account, earnings on investments of those contributions, and forfeitures of contributions made for other members that may be allocated to the member's account. For example, an employer may contribute a specified amount to each active member's postemployment healthcare account each month. At or after separation from employment, the balance of the account may be used by the member or on the member's behalf for the purchase of health insurance or other healthcare benefits.

Employer's contributions - Contributions made in relation to the annual required contributions of the employer (ARC). An employer has made a contribution in relation to the ARC if the employer has (a) made payments of benefits directly to or on behalf of a retiree or beneficiary, (b) made premium payments to an insurer, or (c) irrevocably transferred assets to a trust, or an equivalent arrangement, in which plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan and are legally protected from creditors of the employer(s) or plan administrator.

FASB – The Financial Accounting Standards Board (FASB) is a private, non-profit organization whose primary purpose is to develop Generally Accepted Accounting Principles (GAAP). The FASB's mission for the private sector is similar to that of the Governmental Accounting Standards Board (GASB) for local and state governments in the United States.

GASB – The Governmental Accounting Standards Board (GASB) was organized in 1984 as an operating entity of the Financial Accounting Foundation (FAF) to establish standards of financial accounting and reporting for state and local governmental entities. Its standards guide the preparation of external financial reports of those entities.

Healthcare cost trend rate - The rate of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.

Insured benefit - An OPEB financing arrangement whereby an employer pays premiums to an insurance company, *while employees are in active service*, in return for which the insurance company unconditionally undertakes a legal obligation to pay the postemployment benefits of those employees or their beneficiaries, as defined in the employer's plan.

Interperiod equity – The state in which a government is neither deferring costs to the future nor using accumulated resources to provide current-period services.

Investment return assumption (discount rate) - The rate used to adjust a series of future payments to reflect the time value of money.

Investor fees – The fees collected by the entity used to invest and or manage an entity's money. The fees vary widely and can significantly impact the return on investment over time. These fees typically reflect the overhead of the entity investing, including employees' salaries and bonus structure as well as profit for the entity itself.

Market-related value of plan assets - A term used with reference to the actuarial value of assets. A market-related value may be fair value, market value (or estimated market value), or a calculated value that recognizes changes in fair value or market value over a period of, for example, three to five years.

Net OPEB obligation - The cumulative difference since the effective date of this Statement between annual OPEB cost and the employer's contributions to the plan, including the OPEB liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to OPEB-related debt. (GASB 45 only)

OPEB – An acronym that stands for Other Post Employment Benefits. Postemployment benefits other than pension benefits. Other postemployment benefits (OPEB) include postemployment healthcare benefits, regardless of the type of plan that provides them, and all postemployment benefits provided separately from a pension plan, excluding benefits defined as termination offers and benefits.

OPEB assets - The amount recognized by an employer for contributions to an OPEB plan greater than OPEB expenses. (GASB 45 only)

OPEB expenditures - The amount recognized by an employer in each accounting period for contributions to an OPEB plan on the modified accrual basis of accounting. (GASB 45 only)

OPEB expense - The amount recognized by an employer in each accounting period for contributions to an OPEB plan on the accrual basis of accounting. (GASB 45 only)

OPEB liabilities - The amount recognized by an employer for contributions to an OPEB plan less than OPEB expense/expenditures. (GASB 45 only)

OPEB-related debt - All long-term liabilities of an employer *to an OPEB plan*, the payment of which is *not* included in the annual required contributions of a sole or agent employer (ARC) or the actuarially determined required contributions of a cost-sharing employer. Payments generally are made in accordance with installment contracts that usually include interest. Examples include contractually deferred contributions and amounts assessed to an employer upon joining a multiple-employer plan. (GASB 45 only)

Pension benefits - Retirement income and all other benefits, including disability benefits, death benefits, life insurance, and other ancillary benefits, *except healthcare benefits*, that are provided through a *defined benefit* pension plan to plan members and beneficiaries after termination of employment or after retirement.

Plan assets – Resources (stocks, bonds, and other classes of investments) that have been segregated and restricted in a trust, or in an equivalent arrangement, in which (a) employer contributions to the plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and their beneficiaries, and (c) assets are legally protected from creditors of the employer(s) or plan administrator, for the payment of benefits in accordance with the terms of the plan.

Plan liabilities - Obligations payable by the plan at the reporting date, including, primarily, benefits and refunds due and payable to plan members and beneficiaries, and accrued investment and administrative expenses. Plan liabilities do not include actuarial accrued liabilities for benefits that are not due and payable at the reporting date. (GASB 43 only)

Plan members - The individuals covered by the terms of an OPEB plan. The plan membership generally includes employees in active service, terminated employees who have accumulated benefits but are not yet receiving them, and retired employees and beneficiaries currently receiving benefits.

Postemployment - The period between termination of employment and retirement as well as the period after retirement.

Postemployment healthcare benefits - Medical, dental, vision, and other health-related benefits provided to terminated or retired employees and their dependents and beneficiaries.

Postretirement benefit increase - An increase in the benefits of retirees or beneficiaries granted to compensate for the effects of inflation (cost-of-living adjustment) or for other reasons. *Ad hoc* increases may be granted periodically by a decision of the board of trustees, legislature, or other authoritative body; both the decision to grant an increase and the amount of the increase are discretionary. *Automatic* increases are periodic increases specified in the terms of the plan; they are non-discretionary except to the extent that the plan terms can be changed.

Projected salary increase assumption - An actuarial assumption with respect to future increases in the individual salaries and wages of active plan members; used in determining the actuarial present value of total projected benefits when the benefit amounts are related to salaries and wages. The expected increases commonly include amounts for inflation, enhanced productivity, and employee merit and seniority.

Single-employer plan - A plan that covers the current and former employees, including beneficiaries, of only one employer.

Sponsor - The entity that established the plan. The sponsor generally is the employer. Sometimes, however, the sponsor establishes the plan for the employees of other entities but does not include its own employees and, therefore, is not a participating employer of that plan. An example is a state government that establishes a plan for the employees of local governments within the state, but the employees of the state government are covered by a different plan.

Substantive plan - Terms of an OPEB plan as understood by the employer(s) and plan members.

Unfunded Actuarial Accrued Liability (UAAL) – Difference between the present value of benefits estimated to be payable to plan members as a result of their service through the valuation date and the actuarial value of plan assets available to pay those benefits. This amount changes over time as a result of changes in accrued benefits, pay levels, investment rates of return, changes in actuarial assumptions, and changes in the demographics of the employee base.

DATA TABLE

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OPEB Costs by Entity

Entity Name	Currently Offer OPEB	Number of Retirees Receiving OPEB	Total OPEB-Eligible Employee	Current OPEB Costs for Retirees	Actuarially Determined Liability	Estimated Liability	Total Funds Set Aside For OPEB	Total Current Revenues **	OPEB Liability as a Percent of Total Revenues
Cities									
City of Anoka *	No	-	-	$0	Not Provided	Not Provided	$0	$12,778,039	0.0%
City of Austin	No	6	6	104,162	-	25,300	-	21,820,391	0.1%
City of Belle Plaine	Yes	1	3	7,200	-	50,400	-	5,827,423	0.9%
City of Bemidji	No	10	10	1,215	-	145,415	-	10,622,524	1.4%
City of Benson	No	3	3	22,366	-	24,106	-	3,730,325	0.6%
City of Blaine	Yes	3	3	250	-	18,233	-	28,807,628	0.1%
City of Blue Earth	Yes	2	2	17,762	-	49,674	-	4,977,409	1.0%
City of Bovey	Yes	7	11	60,974	-	450,000	-	791,259	56.9%
City of Brooklyn Center	No	17	65	63,908	-	2,575,794	1,510,869	22,893,784	11.3%
City of Brooklyn Park	Yes	33	236	113,684	-	6,702,000	2,538,834	51,714,097	13.0%
City of Buhl *	Yes	4	11	7,728	Paid-Off	Paid-Off	55,452	1,196,393	0.0%
City of Caledonia	Yes	-	1	13,300	-	10,900	-	1,525,352	0.7%
City of Calumet	Yes	1	3	9,212	-	50,000	37,230	387,277	12.9%
City of Chisholm	Yes	30	58	167,103	-	5,748,650	-	4,824,551	119.2%
City of Cloquet	Yes	7	11	35,310	-	154,072	202,940	8,880,358	1.7%
City of Coleraine	Yes	8	8	77,980	-	85,000	-	1,387,353	6.1%
City of Columbia Heights	Yes	3	23	33,445	-	166,969	-	14,338,181	1.2%
City of Coon Rapids	Yes	27	29	162,465	-	1,327,706	557,398	35,647,299	3.7%
City of Corcoran	Yes	1	8	73,568	-	300,000	-	2,517,858	11.9%
City of Crosby	No	1	1	7,583	-	7,583	7,583	2,970,997	0.3%
City of Crosslake	Yes	-	2	-	-	2,690	-	3,010,020	0.1%
City of Crystal	No	9	9	220,589	-	167,550	700,732	15,977,409	1.0%
City of Detroit Lakes	Yes	6	10	13,464	-	65,325	-	7,911,800	0.8%
City of Duluth	Yes	1,051	1,850	6,716,029	279,934,736	-	-	110,612,541	253.1%
City of Eagan	No	12	16	60,535	-	2,051,357	1,575,000	31,408,156	6.5%
City of Eveleth	Yes	15	29	27,637	-	2,088,000	-	5,044,852	41.4%
City of Excelsior	No	1	1	1,648	Paid-Off	Paid-Off	-	1,513,922	0.0%
City of Forest Lake	Yes	3	59	27,360	-	267,640	-	8,834,924	3.0%
City of Gilbert	Yes	4	7	29,032	-	1,095,000	-	2,255,697	48.5%
City of Glencoe	Yes	1	1	6,589	-	13,178	-	3,889,935	0.3%
City of Grand Rapids	Yes	3	46	2,400	-	142,907	-	10,946,971	1.3%
City of Hastings	No	19	51	226,152	-	20,108,368	1,379,877	16,111,589	124.8%
City of Hibbing	Yes	89	120	576,715	-	55,984,248	-	17,414,169	321.5%
City of Hopkins	No	15	56	76,447	2,996,042	-	-	15,378,133	19.5%
City of Hoyt Lakes	Yes	15	32	-	-	2,300,000	251,646	2,840,537	81.0%
City of International Falls	No	12	17	118,591	-	18,422,155	-	10,287,199	179.1%
City of Keewatin	Yes	2	11	15,672	-	192,019	-	1,095,068	17.5%
City of Kinney	No	1	1	4,278	-	5,000	-	362,475	1.4%
City of Lino Lakes	Yes	2	30	10,097	-	3,950,000	-	13,147,988	30.0%
City of Maple Grove	No	14	14	7,348	-	8,573	8,573	73,560,477	0.0%
City of Mapleton	Yes	1	1	-	-	10,773	-	1,089,418	1.0%
City of Marble	Yes	3	7	36,840	-	368,400	-	936,674	39.3%
City of Minneapolis	Yes	2,219	2,233	687,764	-	153,607	-	697,193,000	0.0%
City of Mound	No	7	7	31,804	-	254,432	-	8,015,142	3.2%
City of Mountain Iron	Yes	7	18	78,758	-	1,155,646	-	3,449,311	33.5%
City of Nashwauk	Yes	9	17	53,291	-	48,000	-	1,078,765	4.4%
City of New Ulm	No	6	6	5,760	-	17,040	-	14,033,109	0.1%
City of Oak Grove	Yes	1	2	-	-	43,825	-	3,835,553	1.1%
City of Osakis	Yes	1	1	4,938	-	88,884	-	1,863,688	4.8%
City of Paynesville	Yes	-	3	-	-	48,400	-	2,596,007	1.9%
City of Pequot Lakes	Yes	-	1	-	-	9,738	-	1,631,063	0.6%
City of Pine City	Yes	1	1	6,370	-	17,357	-	2,008,181	0.9%
City of Preston	Yes	2	2	11,064	-	5,616	-	1,334,187	0.4%
City of Richfield	Yes	2	2	11,757	-	258,526	-	28,026,104	0.9%
City of Richmond	No	1	1	265	-	5,000	-	977,841	0.5%
City of Roseau	No	2	2	7,800	-	10,950	-	10,902,654	0.1%
City of Sauk Centre	No	1	4	2,116	-	59,428	-	5,066,641	1.2%
City of Silver Bay	Yes	3	5	8,248	-	69,414	-	2,082,740	3.3%
City of South St. Paul	Yes	24	43	144,400	-	1,377,000	-	16,709,782	8.2%
City of Spring Lake Park	Yes	5	14	543	-	3,714	-	4,774,933	0.1%
City of Stillwater	No	45	63	324,744	-	6,495,000	-	21,080,195	30.8%
City of St. Cloud	Yes	85	500	770,186	-	25,200,000	-	71,452,268	35.3%
City of St. Paul	Yes	1,696	4,436	8,081,554	-	180,000,000	-	329,488,923	54.6%
City of St. Paul Park	Yes	-	4	-	-	48,000	-	8,402,741	0.6%
City of Taconite	Yes	1	1	5,346	-	16,000	-	355,239	4.5%
City of Two Harbors	Yes	4	58	17,890	-	2,109,975	-	3,862,087	54.6%
City of Virginia	Yes	65	161	465,308	15,702,173	-	-	13,850,018	113.4%
City of Wells	Yes	2	2	5,200	-	58,800	-	2,608,699	2.3%
City of Willmar	No	-	-	-	-	1,907,137	1,907,137	17,394,135	11.0%
Counties									
Anoka County	Yes	422	772	1,483,956	70,000,000	-	-	228,924,028	30.6%
Becker County	No	-	-	4,420	Paid-Off	Paid-Off	-	31,933,314	0.0%
Big Stone County	Yes	30	38	116,471	-	19,792,847	-	8,326,185	237.7%
Blue Earth County *	No	5	27	100,382	Not Provided	Not Provided	-	51,037,247	0.0%
Carver County	Yes	9	10	31,869	-	1,274,760	-	63,375,836	2.0%
Cass County	Yes	100	133	660,896	-	31,100,000	-	38,748,589	80.3%
Chisago County	No	2	2	8,736	-	30,000	-	49,465,427	0.1%
Crow Wing County *	No	109	200	705,634	Not Provided	Not Provided	-	49,776,066	0.0%
Dakota County	No	28	46	20,160	-	515,000	-	259,995,909	0.2%
Dodge County	No	39	39	164,040	-	4,870,489	-	15,879,546	30.7%
Faribault County	No	34	96	178,076	-	1,641,600	-	14,667,051	11.2%
Freeborn County	No	76	131	103,058	-	1,405,192	-	27,921,188	5.0%
Grant County	Yes	2	69	4,216	-	765,744	-	8,495,795	9.0%

OPEB Costs by Entity

Entity Name	Currently Offer OPEB	Number of Retirees Receiving OPEB	Total OPEB-Eligible Employee	Current OPEB Costs for Retirees	Actuarially Determined Liability	Estimated Liability	Total Funds Set Aside For OPEB	Total Current Revenues **	OPEB Liability as a Percent of Total Revenues
Hennepin County	Yes	691	12,450	4,189,054	183,300,000	-	18,851,617	950,988,743	19.3%
Hubbard County	Yes	2	10	11,640	-	268,264	-	22,779,330	1.2%
Isanti County	No	52	106	165,959	-	4,182,697	-	28,353,647	14.8%
Itasca County	No	169	327	1,212,876	21,000,000	-	-	61,482,031	34.2%
Jackson County	Yes	9	114	459,696	-	459,696	-	15,600,196	2.9%
Kandiyohi County	Yes	23	23	94,818	-	373,000	-	53,099,800	0.7%
Koochiching County	Yes	4	13	38,000	192,100	-	192,100	19,006,167	1.0%
Lac Qui Parle County	Yes	1	5	412	-	55,356	-	11,946,178	0.5%
Lake County	No	6	146	24,461	-	1,043,771	-	20,589,638	5.1%
Le Sueur County	Yes	3	3	15,264	-	60,000	-	21,343,879	0.3%
Lyon County	No	22	77	84,025	-	16,000,000	-	16,197,807	98.8%
Mahnomen County	Yes	3	6	13,538	-	99,977	-	11,044,838	0.9%
Martin County	Yes	4	25	15,866	-	15,866	-	15,355,078	0.1%
Morrison County	No	11	11	22,750	-	91,350	-	31,624,621	0.3%
Mower County	Yes	69	87	611,618	9,230,350	-	6,111,424	26,438,270	34.9%
Nicollet County	Yes	3	13	9,370	-	74,024	9,370	21,212,091	0.3%
Olmsted County	No	2	2	20,060	Paid-Off	Paid-Off	-	127,153,469	0.0%
Pine County	No	29	33	105,426	-	100,000	-	31,271,877	0.3%
Polk County *	No	-	-	-	Not Provided	Not Provided	-	43,046,275	0.0%
Pope County	No	38	43	175,194	-	11,200,000	-	11,902,193	94.1%
Ramsey County	No	1,510	1,510	8,054,719	-	530,000,000	12,485,368	472,015,470	112.3%
Redwood County	Yes	9	9	32,100	73,299	-	82,567	17,630,327	0.4%
Renville County	No	1	1	7,763	-	41,637	-	20,583,213	0.2%
Rice County	Yes	4	6	18,599	-	147,076	147,076	34,624,965	0.4%
Scott County	No	119	278	665,930	22,579,485	-	2,147,561	79,667,334	28.3%
Stearns County	Yes	21	322	39,160	-	510,000	-	90,442,097	0.6%
Stevens County	Yes	1	10	4,158	-	150,570	-	10,321,324	1.5%
Todd County	Yes	8	176	25,131	-	19,032	-	23,198,003	0.1%
Traverse County	No	35	71	164,111	-	3,820,100	-	8,193,010	46.6%
Waseca County	No	8	16	43,654	-	320,406	-	16,748,337	1.9%
Washington County	No	321	444	1,851,206	-	18,000,000	3,496,400	145,938,051	12.3%
Watonwan County	No	7	7	30,618	Paid-Off	Paid-Off	-	13,321,923	0.0%
School Districts									
ISD # 1 - Aitkin	No	18	40	82,326	-	6,458,044	1,947,506	11,181,615	57.8%
ISD # 1S - Minneapolis	Yes	1,334	6,977	9,027,000	-	66,300,000	13,500,000	608,985,033	10.9%
ISD # 2 - Hill City	Yes	2	11	10,806	-	986,832	288,462	3,778,666	26.1%
ISD # 4 - Mcgregor	Yes	15	24	63,042	1,323,172	-	265,506	6,741,822	19.6%
ISD # 6 - South St. Paul	Yes	62	113	99,998	-	411,325	-	34,811,720	1.2%
ISD # 12 - Centennial	Yes	9	237	101,694	-	3,096,153	-	62,899,819	4.9%
ISD # 13 - Columbia Heights	Yes	84	128	859,000	4,402,297	-	3,500,000	32,178,648	13.7%
ISD # 14 - Fridley	Yes	78	141	379,573	-	5,005,800	-	27,449,206	18.2%
ISD # 15 - St. Francis	Yes	6	7	12,689	-	274,159	-	54,316,377	0.5%
ISD # 16 - Spring Lake Park	Yes	68	604	114,330	4,152,980	-	114,331	44,408,729	9.4%
ISD # 22 - Detroit Lakes	No	27	52	45,014	-	145,998	-	25,806,312	0.6%
ISD # 23 - Frazee-Vergas	No	7	7	26,880	-	48,967	-	10,548,340	0.5%
ISD # 31 - Bemidji	Yes	65	73	210,716	-	3,561,640	-	54,200,681	6.6%
ISD # 32 - Blackduck	No	14	20	226,101	-	950,645	210,464	7,459,354	12.7%
ISD # 36 - Kelliher	Yes	1	4	2,400	-	73,000	-	4,006,237	1.8%
ISD # 38 - Red Lake	Yes	17	20	158,642	-	3,392,100	734,244	25,238,116	13.4%
ISD # 47 - Sauk Rapids	Yes	3	4	-	-	74,159	-	34,554,286	0.2%
ISD # 62 - Ortonville	Yes	12	33	47,969	-	1,319,954	340,614	6,248,900	21.1%
ISD # 77 - Mankato	Yes	80	196	252,740	-	14,860,900	-	63,594,421	23.4%
ISD # 81 - Comfrey	Yes	5	13	21,711	-	60,000	-	1,732,212	3.5%
ISD # 88 - New Ulm	Yes	18	33	72,430	-	377,000	-	25,015,827	1.5%
ISD # 91 - Barnum	Yes	13	91	56,900	1,775,792	-	-	6,452,278	27.5%
ISD # 93 - Carlton	Yes	10	13	46,249	-	1,359,632	-	6,325,030	21.5%
ISD # 94 - Cloquet	Yes	110	129	398,174	-	12,198,000	500,000	26,846,302	45.4%
ISD # 97 - Moose Lake	Yes	10	32	16,043	774,158	-	46,494	6,837,149	11.3%
ISD # 108 - Norwood	Yes	10	22	76,308	-	1,352,034	-	10,668,375	12.7%
ISD # 111 - Watertown-Mayer	Yes	10	35	11,520	-	97,680	803,000	13,651,384	0.7%
ISD # 112 - Chaska	Yes	62	878	171,845	2,098,511	-	662,397	89,390,777	2.3%
ISD # 115 - Cass Lake-Bena Schools	No	21	25	88,200	-	400,000	-	17,557,264	2.3%
ISD # 116 - Pillager	Yes	4	6	8,856	-	850,000	-	7,734,471	11.0%
ISD # 118 - Northland Community Schools	Yes	8	16	41,205	-	210,348	-	6,538,126	3.2%
ISD # 138 - North Branch	Yes	10	23	55,975	-	1,654,600	-	35,361,314	4.7%
ISD # 146 - Barnesville	Yes	16	24	55,270	-	600,000	66,473	6,747,389	8.9%
ISD # 152 - Moorhead	Yes	86	396	369,264	-	4,000,000	-	53,462,688	7.5%
ISD # 162 - Bagley	Yes	12	39	69,649	-	1,471,111	90,281	10,610,927	13.9%
ISD # 166 - Cook County	No	3	3	2,127	-	22,000	-	7,344,610	0.3%
ISD # 173 - Mountain Lake	Yes	6	11	28,077	-	1,470,000	-	5,340,928	27.5%
ISD # 181 - Brainerd	Yes	148	226	1,385,000	-	8,880,000	-	71,896,135	12.4%
ISD # 182 - Crosby-Ironton	Yes	26	27	448,226	-	4,995,000	-	14,640,917	34.1%
ISD # 186 - Pequot Lakes	No	1	1	5,000	-	10,000	-	13,144,279	0.1%
ISD # 191 - Burnsville	Yes	146	373	440,460	-	2,291,691	933,547	111,152,563	2.1%
ISD # 192 - Farmington	Yes	44	116	178,646	-	21,317,200	-	52,384,879	40.7%
ISD # 194 - Lakeville	Yes	75	505	193,296	-	3,781,628	-	103,314,020	3.7%
ISD # 195 - Randolph	Yes	-	1	-	-	52,805	-	4,601,964	1.1%
ISD # 196 - RosemountApple Valley	Yes	44	663	222,368	-	45,345,870	5,000,000	267,736,602	16.9%
ISD # 197 - West St. Paul-Mendota Heights	Yes	93	164	381,426	-	2,421,327	-	52,261,494	4.6%
ISD # 199 - Inver Grove Heights Schools	Yes	55	72	256,294	10,348,233	-	1,531,776	39,053,828	26.5%
ISD # 200 - Hastings	Yes	84	169	385,887	9,402,737	-	160,176	50,797,682	18.5%
ISD # 204 - Kasson-Mantorville	Yes	14	32	84,169	-	572,500	-	14,913,542	3.8%
ISD # 206 - Alexandria	Yes	18	120	181,515	-	1,919,042	675,000	37,336,325	5.1%
ISD # 207 - Brandon	Yes	3	15	5,856	-	77,250	-	2,667,548	2.9%

OPEB Costs by Entity

Entity Name	Currently Offer OPEB	Number of Retirees Receiving OPEB	Total OPEB-Eligible Employee	Current OPEB Costs for Retirees	Actuarially Determined Liability	Estimated Liability	Total Funds Set Aside For OPEB	Total Current Revenues **	OPEB Liability as a Percent of Total Revenues
ISD # 208 - Evansville	Yes	2	8	6,860	-	105,000	3,545	1,940,220	5.4%
ISD # 213 - Osakis	Yes	12	32	32,299	-	300,000	300,000	6,364,529	4.7%
ISD # 227 - Chatfield	Yes	10	15	18,060	-	63,370	-	7,368,244	0.9%
ISD # 239 - Rushford-Peterson	No	-	-	-	Paid-Off	Paid-Off	-	6,171,051	0.0%
ISD # 241 - Albert Lea	Yes	80	147	337,773	-	1,675,596	300,000	36,177,334	4.6%
ISD # 242 - Alden	Yes	4	8	19,817	-	64,000	-	3,167,130	2.0%
ISD # 252 - Cannon Falls	Yes	18	59	143,570	-	3,200,000	-	11,488,176	27.9%
ISD # 255 - Pine Island	Yes	22	116	489,849	-	29,800,000	-	9,912,659	300.6%
ISD # 256 - Red Wing	Yes	58	72	238,717	-	9,312,274	-	31,423,135	29.6%
ISD # 270 - Hopkins	Yes	327	441	719,008	7,408,056	-	-	105,676,549	7.0%
ISD # 271 - Bloomington	Yes	179	366	307,666	-	769,527	493,703	122,056,649	0.6%
ISD # 272 - Eden Prairie	No	90	289	490,346	14,429,544	-	2,400,000	97,324,289	14.8%
ISD # 273 - Edina	Yes	62	112	255,500	-	2,770,000	-	84,087,340	3.3%
ISD # 276 - Minnetonka	No	189	248	267,733	11,794,776	-	-	84,806,559	13.9%
ISD # 277 - Westonka *	Yes	48	244	163,164	Not Provided	Not Provided	-	25,047,152	0.0%
ISD # 278 - Orono *	Yes	26	43	144,311	Not Provided	Not Provided	-	26,452,419	0.0%
ISD # 279 - Osseo	Yes	23	80	198,917	2,225,638	-	2,426,635	235,660,365	0.9%
ISD # 280 - Richfield	Yes	102	228	689,929	-	2,654,204	-	47,830,068	5.5%
ISD # 281 - Robbinsdale	Yes	243	493	1,131,603	-	3,967,335	4,000,000	162,598,357	2.4%
ISD # 282 - St. Anthony-New Brighton	Yes	18	33	74,860	-	3,564,221	-	16,399,095	21.7%
ISD # 283 - St. Louis Park	No	89	168	426,820	-	7,820,303	600,000	58,885,424	13.3%
ISD # 284 - Wayzata	Yes	185	376	1,053,819	24,950,000	-	21,362,620	103,416,366	24.1%
ISD # 286 - Brooklyn Center	Yes	30	30	110,974	-	5,766,633	-	20,380,859	28.3%
ISD # 294 - Houston	Yes	4	7	8,942	-	1,561,600	-	7,216,554	21.6%
ISD # 297 - Spring Grove	No	1	1	5,831	-	13,850	-	3,348,264	0.4%
ISD # 299 - Caledonia	Yes	12	14	90,676	-	1,056,000	-	9,491,376	11.1%
ISD # 300 - Lacrescent-Hokah	Yes	13	35	107,595	-	1,040,687	-	13,117,708	7.9%
ISD # 308 - Nevis	No	1	1	3,313	-	3,511	-	5,480,589	0.1%
ISD # 309 - Park Rapids	Yes	16	37	84,800	-	164,800	-	17,915,383	0.9%
ISD # 314 - Braham	Yes	11	15	426,000	-	796,335	-	8,498,161	9.4%
ISD # 316 - Greenway	Yes	129	173	972,988	-	88,268,674	-	12,867,881	686.0%
ISD # 317 - Deer River	Yes	15	27	51,300	-	489,000	-	10,928,197	4.5%
ISD # 318 - Grand Rapids	Yes	262	404	1,033,765	-	104,194,781	-	42,713,857	243.9%
ISD # 319 - Nashwauk-Keewatin	Yes	8	34	42,860	-	3,084,115	-	6,829,369	45.2%
ISD # 333 - Ogilvie	Yes	4	20	20,863	-	114,304	-	6,066,597	1.9%
ISD # 345 - New London-Spicer	Yes	17	37	71,637	-	2,434,000	-	15,120,509	16.1%
ISD # 347 - Willmar	Yes	167	803	32,000	5,264,001	-	-	44,630,198	11.8%
ISD # 356 - Lancaster	Yes	2	21	10,988	-	94,909	-	2,272,078	4.2%
ISD # 361 - International Falls	Yes	30	30	174,056	-	1,237,994	-	13,181,144	9.4%
ISD # 362 - Littlefork-Big Falls	Yes	7	15	37,831	-	552,903	188,460	4,002,308	13.8%
ISD # 381 - Lake Superior	Yes	38	78	321,579	-	2,461,000	-	18,636,321	13.2%
ISD # 391 - Cleveland Public School	Yes	5	7	48,353	-	32,500	-	3,626,021	0.9%
ISD # 392 - Lecenter	Yes	2	3	9,259	-	69,265	-	6,089,358	1.1%
ISD # 411 - Balaton	Yes	2	2	5,000	-	12,750	-	932,469	1.4%
ISD # 417 - Tracy	Yes	7	8	36,105	-	123,350	24,004	7,194,834	1.7%
ISD # 418 - Russell	No	1	1	-	Paid-Off	Paid-Off	-	1,447,611	0.0%
ISD # 423 - Hutchinson	No	43	142	329,897	-	9,197,654	-	27,577,438	33.4%
ISD # 424 - Lester Prairie	Yes	-	10	7,500	-	1,395,000	-	3,732,673	37.4%
ISD # 435 - Waubun	No	8	19	54,000	-	615,034	503,576	7,989,140	7.7%
ISD # 447 - Grygla	Yes	2	19	4,572	-	480,588	102,000	2,824,350	17.0%
ISD # 477 - Princeton	Yes	37	81	286,962	-	2,008,524	-	28,038,411	7.2%
ISD # 480 - Onamia	No	4	4	17,145	-	128,824	-	9,289,918	1.4%
ISD # 482 - Little Falls	Yes	26	62	124,284	-	760,460	534,736	24,437,049	3.1%
ISD # 484 - Pierz	Yes	16	71	57,084	-	630,000	-	9,044,494	7.0%
ISD # 486 - Swanville	No	10	34	25,746	-	125,746	125,682	3,362,308	3.7%
ISD # 487 - Upsala	Yes	3	17	10,000	-	75,000	-	4,487,132	1.7%
ISD # 492 - Austin	Yes	88	153	419,161	6,556,822	-	-	40,855,138	16.0%
ISD # 495 - Grand Meadow	Yes	3	6	5,075	-	500,000	-	4,417,175	11.3%
ISD # 500 - Southland	Yes	16	76	85,310	-	100,000	-	6,164,241	1.6%
ISD # 505 - Fulda	Yes	-	2	-	-	22,804	-	4,836,655	0.5%
ISD # 507 - Nicollet	No	7	7	31,478	-	170,900	-	3,400,963	5.0%
ISD # 511 - Adrian	Yes	13	14	45,396	-	184,408	-	5,976,038	3.1%
ISD # 518 - Worthington	No	11	11	30,011	-	38,036	-	23,853,460	0.2%
ISD # 531 - Byron	Yes	2	6	11,718	-	388,835	325,524	12,861,381	3.0%
ISD # 535 - Rochester	Yes	269	581	630,331	-	26,000,000	-	160,725,360	16.2%
ISD # 544 - Fergus Falls	No	4	4	17,925	-	15,223	15,223	24,827,101	0.1%
ISD # 549 - Perham	Yes	21	21	56,858	-	347,641	-	14,562,851	2.4%
ISD # 550 - Underwood	No	2	2	7,356	-	43,514	-	4,472,092	1.0%
ISD # 553 - New York Mills	Yes	9	12	18,480	-	20,700	20,700	6,515,419	0.3%
ISD # 561 - Goodridge	Yes	-	13	-	-	376,740	-	2,179,426	17.3%
ISD # 564 - Thief River Falls	Yes	33	60	110,565	-	475,293	-	18,209,496	2.6%
ISD # 578 - Pine City	Yes	27	97	89,667	-	1,926,637	500,000	15,165,005	12.7%
ISD # 584 - Ruthton	No	2	2	-	Paid-Off	Paid-Off	-	2,178,071	0.0%
ISD # 621 - Mounds View	Yes	263	887	1,638,059	-	26,073,951	-	112,989,572	23.1%
ISD # 622 - North St Paul-Maplewood	No	331	409	3,404,583	-	26,889,626	-	122,947,347	21.9%
ISD # 623 - Roseville	No	165	297	1,180,725	-	12,232,648	-	70,460,564	17.4%
ISD # 624 - White Bear Lake	Yes	270	451	2,377,437	-	21,139,078	3,000,000	91,573,364	23.1%
ISD # 625 - St. Paul	No	2,322	4,112	10,006,050	221,411,000	-	-	546,727,138	40.5%
ISD # 656 - Faribault	Yes	59	59	281,500	-	11,900,000	-	41,782,891	28.5%
ISD # 671 - Hills-Beaver Creek	Yes	4	12	20,369	-	20,369	-	3,017,733	0.7%
ISD # 676 - Badger	Yes	-	7	140,000	-	120,000	140,000	2,111,135	5.7%
ISD # 682 - Roseau	No	1	1	10,428	-	10,428	180,000	12,682,191	0.1%
ISD # 690 - Warroad	Yes	12	16	31,238	-	263,121	-	12,286,515	2.1%
ISD # 695 - Chisholm	Yes	87	92	396,340	-	50,000,000	-	8,209,647	609.0%
ISD # 696 - Ely	Yes	66	110	988,929	-	35,679,345	-	6,242,068	571.6%

OPEB Costs by Entity

Entity Name	Currently Offer OPEB	Number of Retirees Receiving OPEB	Total OPEB-Eligible Employee	Current OPEB Costs for Retirees	Actuarially Determined Liability	Estimated Liability	Total Funds Set Aside For OPEB	Total Current Revenues **	OPEB Liability as a Percent of Total Revenues
ISD # 700 - Hermantown	Yes	27	49	100,500	-	4,500,000	752,189	16,276,401	27.6%
ISD # 701 - Hibbing	Yes	296	328	1,666,773	-	32,532,166	2,086,892	24,437,091	133.1%
ISD # 706 - Virginia	No	159	199	834,449	-	55,886,195	1,538,854	16,451,059	339.7%
ISD # 709 - Duluth	Yes	1,100	1,402	1,605,000	53,866,000	-	908,547	113,126,657	47.6%
ISD # 712 - Mountain Iron-Buhl	Yes	32	61	191,982	-	1,857,535	215,084	7,416,099	25.0%
ISD # 716 - Belle Plaine	Yes	16	41	162,319	-	1,890,138	-	11,786,663	16.0%
ISD # 719 - Prior Lake	Yes	33	76	229,000	-	8,500,000	-	59,452,760	14.3%
ISD # 720 - Shakopee	Yes	65	240	-	-	4,000,000	1,364,700	50,587,660	7.9%
ISD # 721 - New Prague Area Schools	Yes	-	1	-	-	42,000	-	28,217,943	0.1%
ISD # 726 - Becker	Yes	20	82	101,274	-	2,660,000	-	23,351,472	11.4%
ISD # 727 - Big Lake	Yes	17	19	89,761	-	85,953	12,300	28,975,813	0.3%
ISD # 738 - Holdingford	Yes	7	14	17,969	-	1,135,006	-	9,302,280	12.2%
ISD # 739 - Kimball	Yes	6	18	57,039	-	1,334,275	-	8,052,533	16.6%
ISD # 740 - Melrose	Yes	30	75	155,166	-	822,245	-	13,833,279	5.9%
ISD # 742 - St. Cloud	No	149	194	1,158,821	-	21,000,000	-	103,783,107	20.2%
ISD # 743 - Sauk Centre	Yes	13	65	40,521	-	1,713,900	-	11,020,847	15.6%
ISD # 745 - Albany	Yes	18	76	79,390	-	2,610,177	-	13,980,791	18.7%
ISD # 748 - Sartell	Yes	16	123	66,249	-	3,843,395	359,208	27,854,758	13.8%
ISD # 750 - Rocori	Yes	28	48	109,636	-	20,086,600	200,000	19,833,283	101.3%
ISD # 756 - Blooming Prairie	Yes	20	48	58,697	-	1,528,759	-	6,504,515	23.5%
ISD # 763 - Medford	Yes	5	11	867	-	22,450	-	6,285,753	0.4%
ISD # 768 - Hancock	Yes	2	3	24,886	-	42,000	12,000	2,358,451	1.8%
ISD # 769 - Morris	Yes	11	39	24,360	-	160,060	-	10,889,590	1.5%
ISD # 787 - Browerville	Yes	-	28	24,840	-	1,058,000	340,958	4,505,609	23.5%
ISD # 803 - Wheaton Area School	Yes	11	20	56,365	-	525,000	350,000	4,621,391	11.4%
ISD # 806 - Elgin-Millville	Yes	4	14	27,438	-	52,908	-	4,672,989	1.1%
ISD # 810 - Plainview	Yes	11	26	54,048	-	79,616	-	9,629,235	0.8%
ISD # 811 - Wabasha-Kellogg	Yes	1	1	3,594	-	5,275	-	6,043,238	0.1%
ISD # 813 - Lake City	Yes	18	69	70,106	-	4,617,920	-	11,512,135	40.1%
ISD # 818 - Verndale	Yes	3	7	7,754	-	7,458	-	4,314,059	0.2%
ISD # 820 - Sebeka	No	8	8	37,404	-	156,000	-	5,143,457	3.0%
ISD # 829 - Waseca	Yes	27	74	327,000	-	7,600,000	-	23,230,753	32.7%
ISD # 833 - South Washington County	Yes	186	385	598,458	13,355,676	-	10,598,830	158,002,147	8.5%
ISD # 834 - Stillwater	No	240	363	1,257,240	-	5,734,486	-	90,718,430	6.3%
ISD # 840 - St. James	Yes	21	39	61,696	-	437,435	-	11,860,618	3.7%
ISD # 846 - Breckenridge	Yes	10	14	41,865	-	110,843	-	7,456,256	1.5%
ISD # 857 - Lewiston-Altura	Yes	14	34	60,667	-	577,894	-	6,537,768	8.8%
ISD # 861 - Winona Area Public Schools	Yes	34	717	1,414,514	-	4,500,000	-	40,081,182	11.2%
ISD # 876 - Annandale	Yes	19	32	54,750	-	1,775,682	-	16,028,338	11.1%
ISD # 879 - Delano	Yes	21	75	101,980	-	3,189,095	-	19,170,353	16.6%
ISD # 881 - Maple Lake	Yes	9	25	51,556	-	1,260,372	189,513	9,080,169	13.9%
ISD # 882 - Monticello	Yes	33	213	388,207	7,340,109	-	929,313	40,143,935	18.3%
ISD # 883 - Rockford	No	13	44	67,891	-	1,163,355	-	17,431,868	6.7%
ISD # 885 - St. Michael-Albertville	Yes	8	39	12,000	-	3,178,000	-	34,078,754	9.3%
ISD # 891 - Canby	No	1	1	-	Paid-Off	Paid-Off	-	5,931,796	0.0%
ISD # 911 - Cambridge-Isanti	Yes	55	102	189,370	-	4,680,600	-	40,930,149	11.4%
ISD # 912 - Milaca	Yes	12	65	69,000	-	1,929,200	-	16,770,657	11.5%
ISD # 917 - Intermediate School District	No	2	3	52,835	-	422,000	-	15,538,197	2.7%
ISD # 2071 - Lake Crystal-Wellcome Memorial	Yes	-	24	88,751	-	98,000	101,261	7,850,180	1.2%
ISD # 2125 - Triton	Yes	12	18	35,130	-	364,475	-	10,217,954	3.6%
ISD # 2134 - United South Central	Yes	17	37	77,317	-	974,998	-	9,247,508	10.5%
ISD # 2137 - Kingsland	Yes	22	30	110,400	-	838,166	160,850	7,238,826	11.6%
ISD # 2142 - St. Louis County	Yes	57	79	328,032	-	525,600	328,032	27,470,265	1.9%
ISD # 2143 - Waterville/Elysian/Morristown	Yes	9	10	17,275	-	80,500	-	8,780,362	0.9%
ISD # 2144 - Chisago Lakes	Yes	3	5	23,000	-	285,000	364,500	32,484,235	0.9%
ISD # 2149 - Minnewaska	Yes	14	103	27,797	-	619,214	619,214	12,913,436	4.8%
ISD # 2154 - Eveleth-Gilbert	No	25	77	484,771	-	4,889,724	917,617	12,845,401	38.1%
ISD # 2155 - Wadena-Deer Creek	Yes	16	78	52,671	-	1,400,889	-	12,751,784	11.0%
ISD # 2165 - Hinckley-Finlayson	Yes	10	13	19,767	-	313,605	202,900	9,021,511	3.5%
ISD # 2169 - Murray County Central	Yes	4	4	30,759	-	86,000	-	6,914,805	1.2%
ISD # 2170 - Staples-Motley	Yes	40	44	128,160	-	12,650,868	-	14,825,338	85.3%
ISD # 2172 - Kenyon-Wanamingo	No	19	23	93,000	-	925,000	-	9,093,121	10.2%
ISD # 2190 - Yellow Medicine East	Yes	9	35	29,282	-	260,000	49,500	9,959,827	2.6%
ISD # 2198 - Fillmore Central	Yes	2	6	48,690	-	77,930	-	6,419,823	1.2%
ISD # 2310 - Sibley East	Yes	10	98	128,000	-	1,315,104	-	10,473,633	12.6%
ISD # 2364 - Belgrade-Brooten-Elrosa	No	3	22	38,570	-	330,000	-	8,238,026	4.0%
ISD # 2365 - G.F.W.	Yes	14	14	67,336	-	240,144	-	8,431,689	2.8%
ISD # 2396 - A.C.G.C.	Yes	1	7	2,577	-	11,596	8,375	9,253,638	0.1%
ISD # 2397 - Lesueur-Henderson	Yes	32	64	213,002	-	2,150,000	-	11,765,921	18.3%
ISD # 2527 - Norman County West	Yes	3	39	9,234	-	24,525	-	3,809,560	0.6%
ISD # 2534 - Bird Island-Olivia-Lake Lillia	Yes	17	27	37,709	-	27,727	582,146	8,632,983	0.3%
ISD # 2580 - East Central	No	1	1	5,569	-	20,000	-	11,779,870	0.2%
ISD # 2609 - Win-E-Mac	No	1	1	12,673	-	121,217	-	5,126,265	2.4%
ISD # 2683 - Greenbush-Middle River	No	3	3	19,405	-	30,000	25,000	5,163,293	0.6%
ISD # 2711 - Mesabi East	Yes	159	173	960,188	-	48,169,031	-	9,135,808	527.3%
ISD # 2752 - Fairmont Area Schools	Yes	18	70	73,239	-	4,397,500	-	18,267,081	24.1%
ISD # 2753 - Long Prairie-Grey Eagle	Yes	24	33	81,711	-	353,000	64,762	14,432,249	2.4%
ISD # 2835 - Janesville-Waldorf-Pemberton	No	7	7	68,547	-	135,947	40,000	6,472,376	2.1%
ISD # 2854 - Ada-Borup *	Yes	11	29	45,273	Not Provided	Not Provided	-	4,933,893	0.0%
ISD # 2856 - Stephen-Argyle Central Schools	Yes	-	8	210,000	-	110,000	10,000	4,818,299	2.3%
ISD # 2859 - Glencoe-Silver Lake	Yes	28	38	46,300	-	1,230,000	-	15,632,467	7.9%
ISD # 2860 - Blue Earth Area Public School	Yes	21	40	109,956	-	668,202	-	11,688,767	5.7%
ISD # 2886 - Glenville-Emmons	Yes	4	5	12,276	-	169,045	-	3,974,457	4.3%
ISD # 2889 - Lake Park Audubon District	Yes	14	50	24,342	-	1,232,625	-	5,404,256	22.8%
ISD # 2890 - Renville County West	Yes	17	53	99,168	-	927,000	-	6,979,362	13.3%

OPEB Costs by Entity

Entity Name	Currently Offer OPEB	Number of Retirees Receiving OPEB	Total OPEB-Eligible Employee	Current OPEB Costs for Retirees	Actuarially Determined Liability	Estimated Liability	Total Funds Set Aside For OPEB	Total Current Revenues **	OPEB Liability as a Percent of Total Revenues
ISD # 2895 - Jackson County Central	Yes	1	2	-	-	136,821	-	12,751,967	1.1%
Special Districts									
Anoka Conservation District	Yes	-	1	-	Paid-Off	Paid-Off	-	715,159	0.0%
Carlton County Children and Family Services Collaborative	Yes	-	-	-	Paid-Off	Paid-Off	-	1,392,516	0.0%
Central MN Community Corrections	Yes	3	4	20,608	-	350,000	-	3,137,850	11.2%
Coleraine-Bovey-Taconite Joint Wastewater Commission	Yes	1	1	810	-	100,000	-	199,334	50.2%
Ely Housing and Redevelopment Authority	Yes	-	2	-	-	63,500	-	520,244	12.2%
Gilbert Housing and Redevelopment Authority	Yes	1	1	3,108	-	3,500	-	221,134	1.6%
Isanti Soil and Water Conservation District	Yes	-	1	-	-	24,231	-	238,942	10.1%
Lincoln, Lyon, and Murray Human Services	No	7	31	45,168	-	641,666	-	9,973,696	6.4%
Metro Mosquito Control District	Yes	3	55	10,570	-	334,925	-	13,568,433	2.5%
Metropolitan 911 Board	Yes	-	1	-	-	6,300	6,300	672,745	0.9%
Metropolitan Airport Commission	No	222	717	6,662,759	59,919,249	-	30,411,000	297,955,000	20.1%
Metropolitan Council	No	1,088	1,721	7,252,000	274,967,283	-	44,187,160	162,609,283	169.1%
Minnesota Valley Education District	Yes	3	53	25,230	-	2,756,000	-	4,926,694	55.9%
North Mankato Housing and Redevelopment	Yes	-	2	-	-	132,000	-	296,186	44.6%
Northeast Minnesota Office of Job Training	Yes	2	7	13,605	-	157,990	153,570	5,152,590	3.1%
Northeast Service Cooperative	No	1	1	13,928	-	98,000	-	4,956,591	2.0%
Northern Minnesota Municipal Power Agency	No	2	2	-	Paid-Off	Paid-Off	-	43,117,135	0.0%
Region 6 & 8-S.W/W.C. Service Cooperative	Yes	2	4	3,456	-	132,144	52,781	102,756,155	0.1%
St. Paul Public Housing Authority	Yes	8	24	40,434	-	2,728,000	-	66,600,895	4.1%
Todd-Wadena Community Corrections	Yes	1	18	4,548	-	120	-	1,247,779	0.0%
Tri-County Solid Waste Commission	Yes	-	3	-	-	15,000	-	705,819	2.1%
West Metro Fire - Rescue District	Yes	-	1	-	-	20,942	-	1,956,855	1.1%
Western Lake Superior Sanitary District	No	-	1	-	-	126,600	-	29,197,179	0.4%
Townships									
Town of Balkan - St. Louis	Yes	7	9	63,328	-	320,000	-	398,754	80.2%
Town of Fayal - St. Louis	Yes	-	5	-	-	50,861	65,000	1,768,416	2.9%
Town of Silver Creek - Lake	Yes	-	2	-	-	29,000	-	476,134	6.1%
Total for those entities with OPEB		**24,376**	**64,327**	**$122,843,881**	**$1,342,774,219**	**$2,031,360,465**	**$221,381,789**	**$12,915,362,680**	**26.1%**

* These entities indicated that they have OPEB liabilities but refused to provide the amount of their liabilities.

** Total current revenues excludes operating revenues of enterprise funds. Certain entities, such as the Metropolitan Council, have significant additional revenues related to these enterprises.

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RECENT ANNUAL REPORTS, SPECIAL STUDIES, AND BEST PRACTICES REVIEWS FROM THE OFFICE OF THE STATE AUDITOR

2004 Special District Finances
This annual report lists the sources and amounts of revenues, expenditures and outstanding debt for all special districts in Minnesota for the most recent audited fiscal year. August 2006

Financial Trends of Minnesota School Districts and Charter Schools: 2001 to 2005
This annual report provides five years of data and rankings based on the per pupil revenues, expenditures, and debt for all regular Minnesota school districts and charter schools. The report also provides rankings on student demographics, average teacher salaries, fund balances, and other statistics. June 2006

2005 Local Government Lobbying Expenditures
This annual report lists what local government and associations of local governments spend to lobby the Legislature and agencies of the state administration. April 2006

Minnesota County Finances
This annual report lists the sources and audited amounts of revenues, expenditures and debt for Minnesota counties during the most recent fiscal year (year-ended 2004). It includes analysis of counties' enterprise operations and the fund balances for the general and special revenue funds. The report also includes summary budget data for 2005 and 2006. March 2006

An Analysis of Minnesota's Municipal Liquor Store Operations in 2004
This annual report details the sales and profits of Minnesota's municipally-owned and operated liquor stores. December 2005

2004 Minnesota City Finances – "*The State Auditor's Big Book of Cities*"
This annual report lists the sources and amounts of revenues, expenditures and outstanding debt for all Minnesota cities for the most recent audited fiscal year (year-ended 2004). It also examines enterprise operations. December 2005

Best Practice Review: *Contracting and Procurement in the Public Sector*
The best practices review provides detailed steps that can help increase accountability, reduce liability, and encourage savings when contracting and procuring in the public sector. November 2005

Minnesota Township Finances
This annual report lists the sources and amounts of revenues, expenditures and outstanding debt for Minnesota towns for the most recent fiscal year (2004). October 2006

Annual Summary of Local Government Finances
This new annual report provides a summary of all local government finances: counties, cities, school districts, townships and special districts for the most recently audited fiscal year. August 2005

Best Practices Review: *Cooperative Efforts in Public Service Delivery*
The best practices review highlights examples of successful local government cooperation and offers guidance to those local governments pursuing cooperative efforts. December 2004

Special Study: Municipal Enterprise Activity
This study, requested by a bipartisan group of legislators, examines the financial information of enterprise fund operations of Minnesota cities from 1998 to 2002. March 2004

Special Study: School Superintendent Compensation
This special study examined the compensation (salary, benefits, severance, etc.) of Minnesota School Superintendents from 1997 to 2002. September 2003

Special Study: Local Government Aid and its Effect on Expenditures
This special study examined the effect the state program known as Local Government Aid has on expenditures for cities over 2,500 in population. February 2003

If you are interested in one of these recent reports, they are available on our web site at www.auditor.state.mn.us. You can also call our office at (651) 297-3688 or email us at gid@auditor.state.mn.us to request a copy of the report.