



CARSON CITY, NEVADA

OPEB TRUST FUND

**FINANCIAL STATEMENTS FOR THE FISCAL
YEAR ENDED JUNE 30, 2016**

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CARSON CITY, NEVADA OPEB TRUST FUND
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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Independent Auditor's Report

To the Honorable Board of Trustees
Carson City, Nevada OPEB Trust Fund
Carson City, Nevada

Report on the Financial Statements

We have audited the accompanying financial statements of the Carson City, Nevada OPEB Trust Fund (the "Trust"), which comprise the statement of plan net position as of June 30, 2016, and the related statement of changes in plan net position for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net position of the Carson City, Nevada OPEB Trust Fund as of June 30, 2016, and changes in its net position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on page 3, and the schedule of funding progress and schedule of employer contributions on page 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Reno, Nevada
May 9, 2017

CARSON CITY, NEVADA, OPEB TRUST FUND
MANAGEMENT'S DISCUSSION & ANALYSIS
YEAR ENDED JUNE 30, 2016

As management of the Carson City, Nevada OPEB Trust Fund, we offer readers the following discussion and analysis as an introduction to the basic financial statements and an analytical overview of the Trust's financial activities for the reporting period ended June 30, 2016, the year of inception. This narrative is intended as a supplement and should be read in conjunction with the financial statements.

Overview of the Financial Statements

The Trust's financial statements include the following components:

- Statement of Plan Net Position
- Statement of Changes in Plan Net Position
- Notes to the Financial Statements

In addition to the aforementioned financial statements, required supplementary information is provided in the following schedules:

- Schedule of Funding Progress
- Schedule of Employer Contributions

The *Statement of Plan Net Position* presents the Trust's assets and liabilities and the net position, with the assets being held in trust for beneficiary post-employment benefits. This statement measures the Trust's investments at fair value as of the reporting date June 30, 2016.

The *Statement of Changes in Plan Net Position* presents information showing how the Trust's net position changed during the reporting year. This statement includes additions for employer and retiree contributions, investment income, and deductions for payments for the benefit of retirees for the year ended June 30, 2016, the year of inception.

The *Notes to the Financial Statements* are an integral part of the financial statements and provide additional information that is necessary in order to gain a comprehensive understanding of data in the financial statements.

The *Schedule of Funding Progress* is required supplementary information which provides multi-year information regarding the status of the funding of the Trust. It contains information regarding dates of actuarial analyses, the unfunded actuarial unfunded liability (fair value of assets less the actuarial accrued liability as of the actuarial valuation date) and the funded ratio of the Trust as of the actuarial valuation date.

The *Schedule of Employer Contributions* is required supplementary information which provides information over the current and prior two years status of employer funding of the annual required contribution.

CARSON CITY, NEVADA, OPEB TRUST FUND
MANAGEMENT'S DISCUSSION & ANALYSIS
YEAR ENDED JUNE 30, 2016

Financial Highlights

Financial highlights of the Trust as of and for the year ended June 30, 2016 are as follows:

- Carson City Investment Pool balance at year-end is \$2,225.
- Trust Cash at year-end were \$500,002.
- Fiscal Year 2016 contributions receivable from the employer were \$201,063.
- Employer Contributions comprised of \$1,215,191 or 64.3% of Total Contributions of \$1,889,147 to the Plan during the year.

Trust Analysis

The following table provides a summary of the Net Position of the Trust as of June 30, 2016;

	2016
Assets	
Cash and investments	\$ 502,227
Receivable	201,063
Total Assets	703,290
 Liabilities	
Unearned Revenue	1,492
Total Liabilities	1,492
Net Position Restricted for Other Postemployment Benefits	\$ 701,798

The following table provides a summary of the Changes in Net Position for the year ended June 30, 2016, year of inception:

	2016
Additions	
Employer/Plan Member Contributions	\$ 1,889,147
Net Investment Income	215
Total Additions	1,889,362
 Deductions	
Benefit Payments	1,187,564
Changes in Net Position	701,798
 Net Position Restricted for Others	
Postemployment Benefits Beginning of the Year	\$ -
End of Year	\$ 701,798

CARSON CITY, NEVADA, OPEB TRUST FUND
MANAGEMENT'S DISCUSSION & ANALYSIS
YEAR ENDED JUNE 30, 2016

As of June 30, 2016 the Net Position of the Trust was \$701,798. The Net Position is essentially comprised of assets of the Trust offset by a minor balance of unearned revenue. The Net position of the Trust increased during the year of inception, primarily due to savings from Carson City, Nevada being transferred to the Trust of \$500,000. In addition, the first year of Employer prefunding was included as a receivable of \$200,000.

Trust Assets of \$703,290 were comprised of cash of approximately \$500,002, investments at fair value of \$2,225 held in the Carson City Investment Pool as operating Cash, and employer receivables of \$201,063 at June 30, 2016. Trust Assets increased given this was the year of inception, and amounts were moved from Carson City and deposited to the Trust. During the fiscal year we worked with Retirement Benefit Investment Fund (RBIF) to establish an account and prepare an interlocal agreement between the two entities, in order to move the majority of the Cash Held into that investment. As of November 2016, those funds have been invested with RBIF. The only liability of the Trust at June 30, 2016 was a minor unearned revenue balance of \$1,492 which includes July premium payments from retirees received in June.

In order to ensure that funds are accumulated on a regular and systematic basis the Carson City Board of Supervisors contributes approximately 1% of employee salaries to the Trust annually. The Trust Assets will not be sufficient to cover the Actuarial Accrued Liability; however, Carson City is attempting to begin the process of prefunding this liability. We anticipate the transfer to the Trust to increase as the economy improves and funding becomes available.

Requests for Information

Questions concerning the information provided in this report or requests for additional financial information should be addressed to Ms. Sheri Russell, Deputy Chief Financial Officer at 201 North Carson Street, Suite 3, Carson City, NV 89701.

CARSON CITY, NEVADA, OPEB TRUST FUND
STATEMENT OF PLAN NET POSITION
AS OF JUNE 30, 2016

	Total
Assets:	
Cash and investments	\$ 502,227
Contributions receivable	201,063
Total Assets	703,290
Liabilities:	
Unearned revenue	1,492
Total Liabilities	1,492
Net Position Restricted for Other Postemployment Benefits	\$ 701,798

CARSON CITY, NEVADA, OPEB TRUST FUND
STATEMENT OF CHANGES IN PLAN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Totals
Additions:	
Contributions:	
Employer prefunding	\$ 700,000
Employer incurred cost	515,191
Plan members	673,954
Other	2
Total Contributions	1,889,147
Investment Income:	
Interest	21
Net appreciation (depreciation) in fair value of investments	194
Total Investment Income	215
Total Additions	1,889,362
Deductions:	
Benefits	1,187,564
Change in Plan Net Position	701,798
Net Position Restricted for Other Postemployment Benefits:	
Beginning of the year	-
End of the year	\$ 701,798

CARSON CITY, NEVADA OPEB TRUST FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity:

The Carson City, Nevada OPEB Trust Fund (Trust) was established by the Carson City Board of Supervisors (BOS) on June 4, 2015, with an effective date of July 1, 2015. The Trust, a single employer trust, was created to fund and account for Carson City's (the City) costs of retiree healthcare benefits for eligible retirees of the Carson City Retiree Subsidy Plan (the Plan) pursuant to Nevada Revised Statutes (NRS) 287.017, and is intended to qualify under Internal Revenue Code Section 115. It is governed by a three-member Board of Trustees appointed by the BOS.

The City provides other postemployment benefits (OPEB) for eligible retirees through various bargaining units and employee agreements.

Basis of Accounting:

The Trust's financial statements are prepared using the accrual basis of accounting in accordance with Governmental Accounting Standard's Board (GASB) Statement 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Plan member and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Trust. Administrative expenses, if any, are recorded in the period to which they relate.

Cash and Investments:

The Trust is authorized to participate in the Carson City Investment Pool for short-term cash flow purposes. Investments are carried at fair value, net of accrued interest.

The BOS administers and is responsible for the Carson City Investment Pool in accordance with NRS 355.175. The investment pool is not registered with the SEC as an investment company. Bank of New York, Mellon determines the fair value of the investment pool monthly. Carson City has not provided or obtained any legally binding guarantees during the year to support these values. Each participant's share is equal to their investment plus or minus their pro-rata share of monthly interest income, realized and unrealized gains and losses.

Investment earnings and investment fees for the Carson City Investment Pool are allocated to the Trust based on the monthly average cash and investment balances of the Trust relative to the total in the pool.

Termination:

Although it has not expressed any intent to do so, the City has the right under the Trust agreement to terminate this Trust in whole or in part at any time as permitted by law.

CARSON CITY, NEVADA OPEB TRUST FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Implementation of GASB Statement No. 72

As of July 1, 2015 the trust adopted GASB statement No. 72, *Fair Value Measurements and Application*. The implementation of this standard requires governments to address accounting and financial reporting issues related to fair value measurements. The additional disclosures required by this standard are included in Note 4.

New Accounting Pronouncements

The Governmental Accounting Standards Board has issued GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for fiscal year beginning after June 15, 2016. Management is still evaluating the impact of that standard.

NOTE 2 – BENEFIT DESCRIPTIONS AND CONTRIBUTION INFORMATION

As of the date of the last actuarial valuation, June 30, 2015 the City had 134 retirees and 534 active employees.

Benefit Descriptions:

Benefit provisions for the City's Plan are established pursuant to NRS 287.023 and amended through Board resolution and contracts between the City and the various bargaining units. The City explicitly subsidizes the healthcare premiums pursuant to the City's Plan and contracts negotiated with various bargaining units. Retirees who are eligible and elect to participate receive medical, prescription, vision, dental, life and accidental death and dismemberment insurance (group health), identical to the benefits provided to active employees, for themselves and their dependents. Retirees can choose between the HMO, POS or the PPO plans. The authority to establish and amend benefit provisions is set by BOS, through a recommendation from the Insurance Committee annually. The Insurance Committee is comprised of at least one member of each of the City's seven bargaining units, at least one retiree, the Chief Financial Officer and the Human Resources Director.

Contributions:

Carson City Employee Association (CCEA) July 1, 2015 thru June 30, 2021, Sheriff's Association – Deputies July 1, 2014 thru June 30, 2017, Sheriff's Supervisory Association – Sergeants July 1, 2014 thru June 30, 2018, Sheriff's Supervisory – Lieutenants/Captains July 1, 2015 thru June 30, 2019, Alternative Sentencing Officers Association July 1, 2014 thru June 30, 2017, and Juvenile Probation Officers, Marshals, and Bailiffs Employee Agreement Effective July 2, 2014 – Employees who are members of the above listed collective bargaining units and subject to employee agreements who retire under Nevada PERS, are age 47 or older, and have 20 or more years of service receive a percentage of the group health premiums for themselves and their dependents. The City pays 90% of the retiree group health premium, until age 65, then 50% of the retiree's Medicare supplement medical

CARSON CITY, NEVADA OPEB TRUST FUND
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016

premium. The City pays 50% of the dependent coverage until age 65, then 25% of the dependent's Medicare supplement medical premium.

Unclassified Employee Agreement Effective July 1, 2015 – Employees subject to these agreements who retire under Nevada PERS, are age 47 or older, and have 15 or more years of service receive a percentage of the group health premiums for themselves and their dependents. The City pays 75% of the retiree group health premium and 25% of their dependent's premium. Employees with over 20 years of service the City pays 90% of their retiree group health premium and 50% of their dependent's premium. Once the retiree reaches age 65 the City pays 50% of the retiree's coverage and 25% of the dependent's supplement medical premium.

Firefighters Association, Local 2251, and Classified Chief Officers Association July 1, 2010 thru June 30, 2020 - Employees who are members of the above listed collective bargaining units who retire under Nevada PERS, and have 20 or more years of service receive a percentage of the group health premiums for themselves and their dependents. The City pays 90% of the retiree group health premium, until age 65, then 50% of the retiree's Medicare supplement medical premium. The City pays 50% of the dependent coverage until age 65, then 25% of the dependent's Medicare supplement medical premium.

Employees that retired from the City prior to the above contract changes who had at least 10 years of service (including firefighters and sheriff's department retirees not yet eligible or not qualifying for the benefits above) received a subsidy of \$6 per month for each year of service after 10 years of service, to a maximum of 30 years of service towards the cost of their coverage. Retirees were allowed to elect to continue coverage for their spouse and other eligible dependents, however, had to do so entirely at their expense.

For the year ended June 30, 2016, plan members contributed \$673,954. The City is required by bargaining associations and employee agreements to contribute, at a minimum, the required subsidy. The bargaining associations can only be amended through a negotiation process between the City and the bargaining units. In addition, the City BOS has approved to prefund benefits, at a fraction of the actuarially determined "normal costs". For the current fiscal year, the City contributed \$1,215,191.

NOTE 3 – FUNDED STATUS AND FUNDING PROGRESS

The funded status of the Carson City OPEB Trust as of the most recent actuarial valuation date is as follows:

Valuation Date:	6/30/15
Actuarial Accrued Liability (AAL)	\$51,708,488
Actuarial Value of Plan Assets*	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$51,708,488</u>

CARSON CITY, NEVADA OPEB TRUST FUND
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016

Funded Ratio (Actual Value of Plan Assets/AAL) *	0.0%
Covered Payroll	\$32,085,798
UAAL as a Percentage of Covered Payroll	161.16%

* The Carson City, Nevada OPEB Trust Fund was established by the Board of Supervisors on June 4, 2015, with an effective date of July 1, 2015. The first deposit was made on August 19, 2015. Prior to the establishment of the Trust, the City operated on a “pay-as-you-go” basis.

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of the events in the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The accompanying Schedule of Employer Contributions also presented as RSI, includes trend information about the amounts contributed to the plan by the employer in comparison to the annual required contributions (ARC), an amount that is actuarially determined in accordance with the parameters of GASB Statement 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs for each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

Projections of benefits for financial reporting purposes are based on those allowed in employee agreements and negotiated in collective bargaining, and include the types of benefits in force at the valuation date and the pattern of sharing of benefit costs between the City and plan members to that point. Actuarial calculations reflect long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Additional Information as of the latest actuarial valuation follows:

Valuation date	6/30/2015
Actuarial cost method	Entry age normal cost
Amortization method	Level percentage of pay
Remaining amortization period	30 years
Asset valuation method*	N/A

Actuarial Assumptions:	
Investment rate of return	4.0%
Inflation rate	2.75%
Projected salary increases	4.0%
Health cost trend rate*	7.5% initial 5.0% ultimate

* Health cost trend rate decreases 0.5% each year until ultimate trend rate is reached.

CARSON CITY, NEVADA OPEB TRUST FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4 – CASH AND INVESTMENTS

At year end, the Trust's carrying amount of deposits with Bank of America and the fair value of the Carson City Investment Pool were as follows:

	<u>June 30, 2016</u>
Carson City Investment Pool	\$ 2,225
Bank of America Checking	<u>500,002</u>
Total	<u>\$ 502,227</u>

All the bank balances were covered by FDIC or collateralized by the office of the State Treasurer/Nevada Collateral Pool

The Trust categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs' Level 3 inputs are significant unobservable inputs. The Trust does not have any investments that are measured using Level 1 or Level 3 inputs.

The Carson City Investment Pool is an unrated external investment pool. The Trust's investment in the Carson City Investment Pool is reported at fair value which is determined by the fair value per share of the Carson City Investment Pool's underlying portfolio at June 30, 2016 (Level 2 Inputs). All pooled investments are collateralized and held by Bank of New York Mellon. Investments in the Carson City Investment Pool are classified as cash and short-term investments in the statement of plan net position, because they can be withdrawn on demand in an amount equal to the original investment plus or minus monthly allocation of interest income, realized and unrealized gains and losses. Complete financial information on the Carson City Investment Pool as of June 30, 2016 can be obtained through written request, care of the Carson City Finance Department, 201 N. Carson Street, Suite 3, Carson City, NV 89701.

NOTE 5 – SUBSEQUENT EVENT

In November 2016, the City invested the assets of the Trust in the Retiree Benefits Investment Fund (RBIF), an unrated external investment pool run by the State of Nevada.

CARSON CITY, NEVADA, OPEB TRUST FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 June 30, 2016

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Funded Ratio (a/b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll [(b- a)/c]
6/30/2015	\$ -	\$ 51,708,488	0.0%	\$ 51,708,488	\$ 32,085,798	161.16%
6/30/2013	-	32,624,566	0.0%	32,624,566	32,019,089	101.89%
6/30/2011	-	25,201,161	0.0%	25,201,161	31,833,256	79.17%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30,	Total Contributions	Valuation Date	Annual Required Contribution	Percentage Contributed
2016	\$ 1,215,191	06/30/16	\$ 4,682,566	25.95%
2015	-	06/30/15	4,432,082	0.00%
2014	-	06/30/14	5,168,310	0.00%

CARSON CITY, NEVADA OPEB TRUST FUND
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1 – SCHEDULE OF FUNDING PROGRESS

The increase in the UAAL for the June 30, 2015 actuarial valuation was due to a change in benefits. In order to save money due to the recession, the City negotiated with the Carson City Employees Association (CCEA) to eliminate the cost of living adjustment and reduce the merit increase for 90% retiree subsidized premiums after working with the City for 20 years. The unclassified employees' agreement reflected similar changes; however, since unclassified are at-will employees they receive the benefit of 75% retiree subsidized premiums after working with the City for 15 years, and 90% after working with the City for 20 years. Prior to these changes CCEA and unclassified employees were only paid a subsidy of \$6 per year of service per month if you had at least 10 years of service; therefore, the maximum City Subsidy for premiums was \$180 per month with 30 years of service.

The increase in the UAAL for the June 30, 2013 actuarial valuation was due to improvements in the mortality table resulting in longer life expectancies for City Retirees and an update to the trend assumptions for future increases in medical premiums.

NOTE 2 – SCHEDULE OF EMPLOYER AND OTHER ENTITIES' CONTRIBUTIONS

The Board of Supervisors established the Carson City, Nevada OPEB Trust Fund on June 4, 2015, with an effective date of July 1, 2015. The first deposit to the Trust was made in August 2015. Prior to that date the City was on a pay-as-you-go basis.