



CARSON CITY, NEVADA

OPEB TRUST FUND

**FINANCIAL STATEMENTS FOR THE
FISCAL YEAR ENDED**

JUNE 30, 2017

CARSON CITY, NEVADA OPEB TRUST FUND
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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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 fiduciary net position as of June 30, 2017, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

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 fiduciary net position of the Trust as of June 30, 2017, and the changes in the fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 and Note 5 to the financial statements, the Trust adopted Governmental Accounting Standard's Board Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, which resulted in a restatement of fiduciary net position as of July 1, 2016. Our opinion is not modified with respect to this matter.

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, the schedule of changes in the City's net OPEB liability and related ratios on page 15, the schedule of City contributions on page 16, and the schedule of investment returns on page 17 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
April 12, 2018

CARSON CITY, NEVADA, OPEB TRUST FUND
MANAGEMENT'S DISCUSSION & ANALYSIS
YEAR ENDED JUNE 30, 2017

As management of the Carson City, Nevada OPEB Trust Fund (Trust), 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 fiscal year ended June 30, 2017. This narrative is intended as a supplement and should be read in conjunction with the financial statements.

Financial Highlights

Financial highlights of the Trust as of and for the year ended June 30, 2017 are as follows:

- Operating Cash balances as year-end were \$40,002.
- Employer Contributions were \$766,841, comprised of \$566,841 in required City subsidy and an additional \$200,000 to prefund benefits.
- As of July 1, 2016, the Trust adopted GASB 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which addresses accounting and financial reporting issues related to postemployment benefits plans. The implementation of this standard requires a prior period adjustment to the Trust's July 1, 2016 net position as it does not allow for recognition of certain contribution receivables unless they are contributions owed for benefits that are due and payable as of the financial reporting date.

Overview of the Financial Statements

The Trust's financial statements include the following components:

- Statement of Fiduciary Net Position
- Statement of Changes in Fiduciary 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 Changes in the City's Net OPEB Liability and Related Ratios
- Schedule of City Contributions
- Schedule of Investment Returns

The *Statement of Fiduciary Net Position* presents the Trust's assets, liabilities and net position. The assets are held in trust for beneficiary post-employment benefits. This statement measures the Trust's investments at fair value, cash and other short term assets and liabilities as of June 30, 2017.

The *Statement of Changes in Fiduciary Net Position* presents information showing how the Trust's net position changed during the fiscal year. This statement includes additions for employer contributions, investment income, and deductions for payments for the benefit of beneficiaries, net of inactive plan members (retiree) contributions, and administrative expenses for the fiscal year ended June 30, 2017.

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.

CARSON CITY, NEVADA, OPEB TRUST FUND
MANAGEMENT'S DISCUSSION & ANALYSIS
YEAR ENDED JUNE 30, 2017

The *Schedule of Changes in the City's Net OPEB Liability and Related Ratios* is required supplementary information which provides multi-year information regarding the Carson City's (City), net OPEB liability, including total actuarial determined OPEB liability and the Trust's fiduciary net position. It contains the fiduciary net position as a percentage of total OPEB liability as of the actuarial valuation date as well as the City's net OPEB liability as a percentage of covered-employee payroll.

The *Schedule of City Contributions* is required supplementary information which provides multi-year information regarding Carson City, the Trust Sponsor's, contributions to the Trust in relation to the actuarially determined contribution. It contains a calculation of the contribution deficiency, actuarial assumptions, and contributions as a percentage of covered-employee payroll.

The *Schedule of Investment Returns* is required supplementary information which provides multi-year information over the annual money-weighted rate of return net of investment expense.

Trust Analysis

The following table provides a summary of the Net Position of the Trust as of June 30, 2017, and June 30, 2016, the year of inception:

	<u>2017</u>	<u>2016</u>
Assets		
Cash	\$ 40,002	\$ 502,227
Receivable	1,003	201,063
Prepaid	8,417	-
Investments	714,732	-
Total Assets	<u>764,154</u>	<u>703,290</u>
Liabilities		
Accounts Payable	569	-
Retiree Contributions	2,650	1,492
Overdraft	4,220	-
Total Liabilities	<u>7,439</u>	<u>1,492</u>
Net Position Restricted for Postemployment Benefits Other Than Pensions	<u>\$ 756,715</u>	<u>\$ 701,798</u>

As of June 30, 2017, the Net Position of the Trust was \$756,715. The Net Position is comprised of assets of the Trust offset by a minor balance of July Retiree Contributions, and an overdraft. The Net position of the Trust increased during June 30, 2017, primarily due to investment earnings of the Retirement Benefit Investment Fund (RBIF).

Trust assets as of June 30, 2017 of \$764,154, were comprised of investment in fair value with RBIF of \$714,732, cash of approximately \$40,002, premiums receivables of \$1,003, and prepaid premiums of \$8,417. The liabilities of the Trust as of June 30, 2017 include accounts payable of \$569, an overdraft of (\$4,220) held in the Carson City Investment Pool as operating cash, and Retiree Contributions balance of \$2,650 which includes July 2017 premium payments from retirees received in June 2017.

CARSON CITY, NEVADA, OPEB TRUST FUND
MANAGEMENT'S DISCUSSION & ANALYSIS
YEAR ENDED JUNE 30, 2017

The following table provides a summary of the Changes in Net Position for the year ended June 30, 2017, and June 30, 2016, the year of inception:

	<u>2017</u>	<u>2016</u>
Additions		
Employer Contributions	\$ 766,841	\$1,215,193
Net Investment Income	64,804	215
Total Additions	<u>831,645</u>	<u>1,215,408</u>
Deductions		
Benefit Payments	566,728	513,610
Administrative Expenses	10,000	-
Total Deductions	<u>576,728</u>	<u>513,610</u>
Changes in Net Position	254,917	701,798
Net Position Restricted for Postemployment Benefits Other than Pensions		
Beginning of the Year, as Previously reported	701,798	-
Prior period adjustment	<u>(200,000)</u>	-
Beginning of the Year, as restated	<u>501,798</u>	<u>-</u>
End of Year	<u>\$ 756,715</u>	<u>\$ 701,798</u>

In order to ensure that funds are accumulated on a regular and systematic basis, the Carson City Board of Supervisors approved the contribution of approximately 1% of employee salaries to the Trust annually. The Trust assets will not be sufficient to cover the City's net OPEB liability, which is disclosed in the Notes to the Financial Statements; however, the City is attempting to begin the process of prefunding this liability. It is anticipated that transfers to the Trust will continue to increase as the economy improves and funding becomes available.

Employer contributions decreased by \$448,000 in fiscal year 2017, The Trust was established in fiscal year 2016, at which time the City transferred savings of \$500,000 from the Group Medical internal service fund to the Trust.

The Trust implemented Governmental Accounting Standards Board Statement No.74 as of July 1, 2016. The standard does not allow the Trust to recognize a contribution receivable, unless the funds are owed by the City for OPEB benefits that have come due. The City contributed \$200,000 to the Trust for the year ended June 30, 2017 to prefund benefits, but did not make the contribution until October 4, 2017; therefore, this contribution will be recognized in the June 30, 2018 statements. The contribution of \$200,000 made in November 2016 which was recognized as a receivable at June 30, 2016 was restated via prior period adjustment to the Trust's beginning net position on July 1, 2016.

Requests for Information

Questions concerning the information provided in this report or requests for additional financial information should be addressed to Carson City Finance Department, 201 North Carson Street, Suite 3, Carson City, NV 89701.

CARSON CITY, NEVADA, OPEB TRUST FUND
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017

	Total
Assets:	
Cash	\$ 40,002
Accounts Receivable	1,003
Prepaid	8,417
Investments, at fair value	714,732
Total Assets	764,154
Liabilities:	
Accounts Payable	569
Retiree Contributions	2,650
Overdraft	4,220
Total Liabilities	7,439
Net Position Restricted for Postemployment Benefits Other Than Pensions	\$ 756,715

CARSON CITY, NEVADA, OPEB TRUST FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Totals
Additions:	
Contributions:	
Employer contributions	\$ 766,841
Investment Income:	
Interest	9,741
Net appreciation (depreciation) in fair value of investments	55,162
Total Investment Income	64,903
Less: Investment Expense	99
Net Investment Income	64,804
Total Additions	831,645
Deductions:	
Benefits	566,728
Administrative Expense	10,000
Total Deductions	576,728
Change in Net Position	254,917
 Net Position Restricted for Postemployment Benefits Other Than Pensions:	
Beginning of the Year, as previously reported	701,798
Prior Period Adjustment	(200,000)
Beginning of the year, restated	501,798
End of the year	\$ 756,715

CARSON CITY, NEVADA OPEB TRUST FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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. The Trust, a single employer trust, was created to fund and account for Carson City's (City) costs of retiree healthcare benefits 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, with at least one person who has a combination of education and experience of at least five (5) years in finance or economics; a public officer or employee of the City who manages the fiscal affairs of the City; and a current beneficiary of the Trust.

The City provides other postemployment benefits (OPEB) for eligible employees 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 No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement addresses accounting and financial reporting issues related to other postemployment benefit plans and replaces GASB 43. The implementation of this standard requires changes to the reporting format of the financial statements, additional footnote disclosures, and changes to the required supplementary schedules from what was presented in prior years. The additional disclosures required by this standard are included in Note 3 and the required supplementary information.

Employer contributions are recognized in the period in which such amounts are owed by the City to the Trust for the OEPB benefits as they become due and payable. Benefits, net of inactive plan member (retiree) contributions and refunds are recognized when due and payable in accordance with the terms of the insurance provider.

Cash and Investments:

The Trust is authorized to participate in the Carson City Investment Pool (CCIP) for short-term cash flow purposes and the State of Nevada Retirement Benefits Investment Fund (RBIF) for long-term investments. In addition, the Trust maintains a checking account.

The BOS administers and is responsible for the CCIP in accordance with NRS 355.175. The CCIP is not registered with the SEC as an investment company. Bank of New York, Mellon determines the fair value of the investment pool monthly. The 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.

CARSON CITY, NEVADA OPEB TRUST FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

The Nevada Legislature established the RBIF during the 2007 legislative session with an effective date of July 17, 2007. The purpose of the RBIF is to invest contributions made by participating public entities, as defined in NRS 355.220, to enable such entities to support financing of OPEB. Monies received by the RBIF are held for investment purposes only and not in any fiduciary capacity and managed by Bank of New York, Mellon, as instructed by the Retirement Benefit Investment Board. Each participating entity acts as fiduciary for its particular share of the RBIF. Bank of New York, Mellon determines the fair value of the investment pool monthly. The RBIF allocates earnings (which include realized and unrealized gain or loss, interest, and other income) and expenses (both administrative and investment) to each participant according to their proportional share in the RBIF. The RBIF is not registered with the SEC as an investment company.

Actuarial Assumptions:

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.

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 OPEB liabilities and the actuarial value of assets.

Administrative Expenses:

All costs incurred by the City in administering the Trust are paid by the Trust and financed through investment earnings.

Implementation of GASB Statement No. 74:

As of July 1, 2016, the Trust adopted GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, which addresses accounting and financial reporting issues related to other postemployment benefit plans and replaces GASB 43. The implementation of this standard requires changes to the reporting format of the financial statements, additional footnote disclosures, and changes to the required supplementary schedules from what was presented in prior years. The additional disclosures required by this standard are included in Note 3 and the required supplementary information.

CARSON CITY, NEVADA OPEB TRUST FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Termination:

Although it has not expressed any interest 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.

NOTE 2 – BENEFIT DESCRIPTIONS AND CONTRIBUTION INFORMATION

As of the date of the last actuarial valuation, June 30, 2017, the City had 151 inactive plan members or beneficiaries currently receiving payments and 576 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. Benefits deducted from the Trust for the year ended June 30, 2017 were as follows:

Total Premiums Paid for Retirees	\$1,234,417
Less: Retiree Contributions	<u>(667,689)</u>
Benefits	<u>\$ 566,728</u>

Contributions:

Carson City has the following collective bargaining units and contractual terms:

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 FINANCIAL STATEMENTS
 JUNE 30, 2017

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 this agreement 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 unit 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, 2017, plan members (retirees) contributed \$667,689. 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 BOS has approved to prefund benefits, at a fraction of the actuarially determined "normal costs". For the current fiscal year, the City contributed \$566,841, the required subsidy amount, and an additional \$200,000 to prefund benefits for a total contribution of \$766,841.

NOTE 3 – NET OPEB LIABILITY OF THE CITY

The components of the Net OPEB Liability of the City at June 30, 2017 were as follows:

Total OPEB liability	\$66,567,575
Plan fiduciary net position	<u>\$756,715</u>
City's net OPEB liability	<u>\$65,810,860</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 1.1%

CARSON CITY, NEVADA OPEB TRUST FUND
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

Actuarial assumptions: The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry age normal cost
Amortization method	Level percentage of pay
Amortization period	30 years, open
Asset valuation method	Market value of assets
Actuarial Assumptions:	
Discount Rate	3.57%
Inflation rate	2.75%
Projected salary increases	4.00%
Health cost trend rate*	6.50% initial 5.00% ultimate for 2023 and later years

* Health cost trend rate decreases 0.25% each year until ultimate trend rate is reached.

Mortality rates were based on the Bickmore Scale 2017, which was developed by the actuary from a blending of data and methodologies found in two published sources: (1) the Society of Actuaries Mortality Improvement Scale MP-2016 Report, published in October 2016 and (2) the demographic assumptions used in the 2016 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, published June 2016.

The actual assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period June 1, 2015 to May 31, 2017.

Discount Rate: The expected long-term rate of return of 8% was used to determine projected benefits to be provided by Trust assets and the Fidelity Muni GO AA 20 Year Bond Index was used for other projected benefit, resulting in a blended discount rate used to measure the total OPEB liability of 3.57 percent. Prior to the implementation of GASB Statement No. 74, the actuary used a discount rate of 4.47%; however, under the new standard the actuary is required to use limited sources for their discount rate. The City chose to use the Fidelity Muni GO AA 20 Year Bond Index for its other projected benefits.

Sensitivity of the net OPEB liability to changes in the discount rate:

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.573) or 1-percentage-point higher (4.573) than the current discount rate:

	1% Decrease <u>(2.573%)</u>	Discount Rate <u>(3.573%)</u>	1% Increase <u>(4.573%)</u>
Net OPEB liability (asset)	\$79,981,510	\$65,810,860	\$54,942,832

CARSON CITY, NEVADA OPEB TRUST FUND
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates:

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.5% decreasing to 4%) or 1-percentage-point higher (7.5% decreasing to 6%) than the current healthcare cost trend rates:

	<u>1% Decrease (5.5% decreasing to 4%)</u>	<u>Discount Rate (6.5% decreasing to 5%)</u>	<u>1% Increase (7.5% decreasing to 6%)</u>
Net OPEB liability (asset)	\$52,930,973	\$65,810,860	\$86,145,059

NOTE 4 – CASH AND INVESTMENTS

The Trust is authorized to participate in the Carson City Investment Pool (CCIP) for short-term cash flow purposes and State Retirement Benefits Investment Fund (RBIF) for long-term investments.

At year end, the Trust's carrying amount of deposits in cash was \$40,002. The Trust's participation in the CCIP, was over-drafted by \$4,220, due to an unforeseen prepaid premium, as we changed our dental carrier at July, 1, 2017. The CCIP is an unrated external investment pool. CCIP is reported at fair value which is determined by the fair value per share of the CCIP underlying portfolio at June 30, 2017. All pooled investments in CCIP are collateralized and held by Bank of New York, Mellon. The Trust's participation in the CCIP is classified as cash/(overdraft) in the Statement of Fiduciary 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, 2017 can be obtained through written request, care of the Carson City Finance Department, 201 N. Carson Street, Suite 3, Carson City, NV 89701.

As of June 30, 2017, the City's investments were as follows:

	<u>June 30, 2017</u>
Retirement Benefits Investment Fund	<u>\$ 714,732</u>
Total Investments, at fair value	<u><u>\$ 714,732</u></u>

CARSON CITY, NEVADA OPEB TRUST FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

The RBIF is also an unrated external investment pool. The Trust's investment in the RBIF is reported at fair value, which is determined by the fair value per share of RBIF's underlying portfolio at June 30, 2017. Bank of New York, Mellon determines the fair value of the investment pool monthly. The RBIF allocates earnings (which include realized and unrealized gain or loss, interest, and other income) and expenses (both administrative and investment) to each participant according to their proportional share in the RBIF. Complete financial information on the RBIF as of June 30, 2017 can be obtained by contacting the Retirement Benefits Investment Board, 693 W. Nye Lane, Carson City, NV, 89703.

NOTE 5 – ACCOUNTING CHANGE

As of July 1, 2016, the Trust adopted GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement requires contributions receivable to be recognized only for those contributions owed by the employer for the OPEB benefits as they become due and payable and are due pursuant to legal requirements. Accordingly, net position as of July 1, 2016 has been restated for the cumulative effect of this change.

The following table shows the change to beginning net position as of July 1, 2016 for the Trust:

Net position restricted for postemployment benefits other than pensions, as previously reported	\$701,798
Prior period adjustment, contribution	<u>(200,000)</u>
Net position restricted for postemployment benefits Other than pensions, as restated	<u>\$501,798</u>

NOTE 6 – SUBSEQUENT EVENTS

On October 4, 2017 the City contributed \$200,000 to the Trust, which was approved for the fiscal year ended June 30, 2017 to prefund benefits and will be recognized as an employer contribution in the Trust's June 30, 2018 financial statements.

CARSON CITY, NEVADA, OPEB TRUST FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN THE CITY'S NET OPEB
 LIABILITY AND RELATED RATIOS
 LAST TEN FISCAL YEARS*

		2017
Total OPEB liability		
Service cost	\$	4,102,048
Interest		2,172,097
Changes of assumptions		(8,661,214)
Benefit payments		(1,076,308)
Net change in total OPEB liability		(3,463,377)
Total OPEB liability - beginning	\$	70,030,952
Total OPEB liability - ending (a)	\$	66,567,575
Plan fiduciary net position		
Contributions:		
Employer	\$	766,841
Net investment income		64,804
Benefit payments		(566,728)
Administrative expense		(10,000)
Net change in plan fiduciary net position		254,917
Plan fiduciary net position - beginning, restated	\$	501,798
Plan fiduciary net position - ending (b)	\$	756,715
City's net OPEB liability -ending (a)-(b)	\$	65,810,860
Plan fiduciary net position as a percentage of the total OPEB liability		1.14%
Covered- employee payroll	\$	36,664,557
City's net OPEB liability as a percentage of covered-employee payroll		179.49%

Notes to Schedule:

- Changes of assumptions: Implementing GASB 74 required the actuary to change the discount rate being used.
- * 10 year trend: GASB 74 is being implement in 2017; therefore, 10 years of information is unavailable.

CARSON CITY, NEVADA, OPEB TRUST FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CITY CONTRIBUTIONS
 LAST TEN FISCAL YEARS*

	2017
Actuarially determined contribution	\$ 4,913,561
Contributions in relation to the actuarially determined contribution	766,841
Contribution deficiency (excess)	\$ 4,146,720
 Covered employee Payroll	 \$ 36,664,557
Contributions as a percentage of covered-employee payroll	2.09%

Notes to Schedule:

* 10 years of information is unavailable in 2017; but will be presented as soon as it is available.

Valuation Date:

Actuarial determined contributions rates are calculated as of June 30, and is primarily based on a City subsidy. City subsidies are calculated as a percentage of the premiums (adjusted by healthcare trend factors) paid dependent on actuarially determined eligibility. Where the City subsidy is defined as a fixed dollar amount, we have assumed no increase in this amount.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method:	Entry age normal cost
Amortization Method:	Level percentage of pay
Amortization Period:	30 year, open
Asset Valuation Method:	Market value of assets
Inflation:	2.75% per year
Healthcare cost trend rates:	City plan medical premiums, per capita claims costs and the City's subsidy is estimated to be 6.5% increase in 2018, declining to 5% as of 2023
Projected Salary Increases:	4% per year
Discount Rate	3.57%
Retirement Age:	In the 2017 actuarial valuation, expected retirement ages of general employees were based on years of service and likelihood of retirement for both regular employees and police and fire, as the contracts have varying retirement ages.

Mortality:

In the 2017 actuarial valuation, mortality rates were based on the Bickmore Scale 2017, a custom table developed by the Trust's actuary.

CARSON CITY, NEVADA, OPEB TRUST FUND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
LAST TEN FISCAL YEARS*

	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	9.05%

* 10 year trend: 10 years of information is unavailable in 2017;
as OPEB Plan was established June 4, 2015.