



Financial Statements  
December 31, 2015

**Truckee Meadows Water Authority  
OPEB Trust Fund**

Truckee Meadows Water Authority OPEB Trust Fund

Table of Contents

December 31, 2015

---

Independent Auditor’s Report..... 1

Management’s Discussion and Analysis..... 3

Financial Statements

    Statement of Plan Net Position ..... 5

    Statement of Changes in Plan Net Position ..... 6

    Notes to Financial Statements..... 7

Required Supplementary Information

    Schedule of Funding Progress ..... 12

    Schedule of Contributions from Employer and Other Entities ..... 13



CPAs & BUSINESS ADVISORS

## Independent Auditor's Report

To the Board of Trustees  
Truckee Meadows Water Authority OPEB Trust Fund  
Reno, Nevada

We have audited the accompanying financial statements of the Truckee Meadows Water Authority OPEB Trust Fund (the "Trust"), which comprise the statement of plan net position as of December 31, 2015, 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 Truckee Meadows Water Authority OPEB Trust Fund as of December 31, 2015, 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 pages 3 to 4, and the schedule of funding progress and the schedule of contributions from employer and other entities on pages 12 and 13, respectively, 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.

*Eide Bailly LLP*

Reno, Nevada  
August 11, 2016



Truckee Meadows Water Authority OPEB Trust Fund  
Managements' Discussion & Analysis  
Year Ended December 31, 2015

---

TMWA financial management provides the following discussion and analysis as an introduction to the basic financial statements and an analytical overview of the Fund's financial activities for the reporting period that ended December 31, 2015. This narrative is intended as a supplement and should be read in conjunction with the financial statements. The Fund was established in calendar year 2015 as a result of the transfer of operations to TMWA of Washoe County, Nevada's water utility services (Transfer of Utility Operations). As a result of the transfer of operations, TMWA agreed to preserve post-employment benefits for transferred employees only and the Fund is closed to any additional employees.

*Overview of the Financial Statements*

The Fund's financial statements include the following components:

- Statement of Net Position
- Statement of Changes on Net Position
- Notes to the Financial Statements

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

- Schedule of Funding Progress
- Schedule of Contributions from Employer and Other Entities

The *Statement of Net Position* presents the Fund's assets and liabilities and the net position, with the assets being held in trust for beneficiary post-employment benefits. This statement measures the Fund's investments at fair value, cash, other short term assets and liabilities as of December 31, 2015, the reporting date.

The *Statement of Changes in Net Position* presents information showing how the Fund's net position changed during the reporting year. This statement includes additions of employer contributions, investment earnings, changes in investment valuations and deductions for payment of administrative expenses. It also included the one-time contribution from the Washoe County OPEB Trust Fund in connection with the Transfer of Utility Operations. As of December 31, 2015 there were no beneficiaries receiving benefits.

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 information regarding the status of the funding of the Fund. 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 Fund as of the actuarial valuation date.

The *Schedule of Contributions from Employer and Other Entities* is required supplementary information which provides information for the current year and status of employer and other entity funding of the annual required contribution.

Truckee Meadows Water Authority OPEB Trust Fund  
Managements' Discussion & Analysis  
Year Ended December 31, 2015

---

**Financial Highlights and Fund Analysis**

The Fund was established in calendar year 2015 as a result of the transfer of operations to TMWA of Washoe County, Nevada's water utility services (Transfer of Utility Operations). As such, comparative information regarding the Fund will be provided as it continues into future years.

Net position is restricted for future benefit payments to beneficiaries. As of December 31, 2015 the Net Position of the Trust stood at approximately \$687 thousand. The Net position is essentially comprised of assets of the Fund.

Fund assets of approximately \$687 thousand were comprised of investment at fair value of approximately \$542 thousand, \$76 thousand in employer receivables and \$69 thousand in operating cash at December 31, 2015.

There were no Fund liabilities as of December 31, 2015.

In order to ensure that funds are accumulated on a regular and systematic basis TMWA calculates the Annual Required Contribution (ARC) for funding such amount to the Fund on a biannual basis. An initial actuarial analysis was performed January 1, 2015 in order to calculate the ARC and to begin funding of the Fund by TMWA.

Total contributions to the Fund were approximately \$698 thousand which includes \$547 thousand from the Washoe County OPEB Trust and \$151 thousand from TMWA. The amount from Washoe County OPEB Trust was an actuarial determined amount allocated to transferred employees in connection with the Transfer of Utility Operations. The amount contributed by TMWA was based upon an initial actuarial analysis calculated by TMWA's actuary. Net depreciation in fair value of investment of approximately \$5 thousand dollars in addition to approximately \$6 thousand in administrative expenses resulted in \$687 thousand in remaining assets.

**Requests for Information**

Questions concerning the information provided in this report or requests for additional financial information should be addressed to Ms. Michele Sullivan, Chief Financial Officer/Treasurer at P.O. Box 30013, Reno, NV 89509-3013.

Truckee Meadows Water Authority OPEB Trust Fund  
Statement of Plan Net Position  
December 31, 2015

---

Assets

Cash	<u>\$ 69,414</u>
Receivables Employer	<u>75,588</u>
Investments, at fair value	<u>541,988</u>
Net position restricted for other postemployment benefits	<u><u>\$ 686,990</u></u>

Truckee Meadows Water Authority OPEB Trust Fund  
Statement of Changes in Plan Net Position  
Year Ended December 31, 2015

Additions	
Investment loss	
Net depreciation in fair value of investments	\$ (4,856)
Less investment expense	<u>30</u>
Net investment loss	<u>(4,886)</u>
Contributions	
Employer	151,176
Former employer's trust	<u>546,873</u>
Total contributions	<u>698,049</u>
Total additions	<u>693,163</u>
Deductions	
Administrative expenses	<u>6,173</u>
Change in Net Position	686,990
Net position restricted for other postemployment benefits	
Beginning of year	<u>-</u>
End of year	<u><u>\$ 686,990</u></u>



## Note 1 - Summary of Significant Accounting Policies

### Reporting Entity

The Truckee Meadows Water Authority (TMWA) established a governmental trust under Section 115 of the Internal Revenue Code of 1986, as amended, which is referred to as the Truckee Meadows Water Authority OPEB Trust Fund (the "Trust"), a single-employer defined benefit other post-employment benefit plan (OPEB). The Trust is intended to provide the means to fund all or a portion of the post-retirement benefits to be provided to those former employees of Washoe County, Nevada (Washoe County) who became employees of TMWA as a result of the transfer of Washoe County's water utility service operations to TMWA effective January 1, 2015 (Transfer of Water Utility Operations). Tax exempt status is automatically granted to governmental trusts established under Section 115 of the Internal Revenue Code. This Trust provides future TMWA retirees eligible for coverage under the Trust with post-employment group health and life benefits, including medical, dental, vision, and spouse life benefits. The Trust's financial reporting period ends December 31, while TMWA's financial reporting period ends June 30.

### Basis of Accounting

The Trust's financial statements are prepared using the accrual basis of accounting in accordance with Governmental Accounting Standards Board (GASB) Statements 43, *Financial Reporting for Postemployment Benefit Plans other Than Pension Plans*. Employer contributions are recognized in the period when the contributions are due. Contributions are due when TMWA has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Trust. Administrative expenses are recorded when incurred and payable by the Trust.

### Investments and Investment Income

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

## Note 2 - Plan Description and Contribution Information

### Plan Description

The Trust, a single-employer defined benefit OPEB plan was established to provide eligible TMWA retirees with post-employment health and life benefits, including medical, dental, vision, and life benefits. Pursuant to Nevada State Administrative Regulations, adopted in September 2008, as amended, the Trust will be governed by not less than three (3) but not more than five (5) Trustees. Five (5) trustees were appointed by the TMWA Board of Directors, three members from non-represented positions and two members from represented employees. The TMWA General Manager has been given authority to appoint the two non-represented employee trustees and accept the nomination of represented employee trustees by the International Brotherhood of Electrical Workers (IBEW) Local 1245.

Eligibility requirements, benefit levels, and TMWA contributions established and amended through TMWA's collective bargaining agreement for its represented employees (IBEW).

**Retiree Healthcare Plan Options**

TMWA retirees have the option to enroll in a Preferred Provider Organization (PPO) or Employer Health Maintenance Organization (HMO) health plans provided by the City of Reno. These plans are cost sharing multi-employer plans that cover active and retired employees. These plans are the same health plans offered to active employees of TMWA. TMWA retirees may choose to participate in a health plan not provided by the City of Reno. The amount paid by the Trust for participation in health plans other than those offered by the City of Reno, are limited to the amount otherwise payable had the participant selected one of the City of Reno Plans.

In order to be eligible for benefits, retirees must meet the following requirements:

1. The retiree must be a former Washoe County employee who transferred to TMWA as part of the Transfer of Water Utility Operations,
2. The retiree must receive monthly retirement payments under the Public Employees Retirement System of Nevada ("PERS"), and
3. The retiree must complete such forms to enroll for benefits from the Trust as the Trustees may require from time to time.

**Life Benefits**

TMWA retiree life coverage continues at the same coverage amount in force at the time of retirement (one times base salary) until age 70, at which time coverage reduces to one-half of that amount. At age 75, coverage is reduced to \$2,000. The retiree bears no cost of the premiums for this coverage amount. However, retirees do have the opportunity to purchase optional life insurance, the cost of which is paid by the retiree.

**Membership of the Trust**

As of December 31, 2015, membership of the Trust consisted of the following:

Retirees currently receiving medical benefits	-
Retirees currently receiving life benefits	-
Retirees entitled to, but not yet receiving benefits	-
 Active Plan Members	
IBEW members	15
MPAT members	7
	22
	22

The Trust is a closed plan that will provide future benefits to TMWA employees that transferred to TMWA as part of Transfer of Water Utility Operations. No other TMWA retirees can be enrolled in the benefits offered under this Trust.



# Truckee Meadows Water Authority OPEB Trust Fund

Notes to Financial Statements

December 31, 2015

---

## Contributions

Post-employment benefits available to retirees under the Trust vary depending upon whether eligible retirees are classified as a "Tier I Retiree" or a "Tier II Retiree." Tier I Retirees include those employees hired by Washoe County on or before September 16, 1997, and Tier II Retirees include those employees hired by Washoe County after September 16, 1997 and before July 1, 2010. Employees hired by Washoe County on July 1, 2010 or after are not eligible for benefits. Retiree healthcare benefits vary depending on whether a retiree is classified as a Tier I Retiree or a Tier II Retiree, and years of employment attained at the time of retirement, as described below.

### Tier I Retirees

1. For Tier I Retirees with at least ten (10) years but less than fifteen (15) years of combined full-time employment with Washoe County and/or TMWA, the maximum benefits payable by the Plan will be 50% premium attributable for coverage of such retirees under the benefit plans.
2. For Tier I Retirees with at least fifteen (15) years but less than twenty (20) years of combined full-time employment with Washoe County and/or TMWA, the maximum benefits payable by the Plan will be 75% of the premium attributable for coverage of such retirees under the benefit plans.
3. For Tier I Retirees with twenty (20) or more years of combined full-time employment with Washoe County and/or TMWA, the maximum benefits payable by the Plan will be 100% of the premium attributable for coverage of such retirees under the benefit plans.

For Tier I Retirees who were hired by Washoe County on or after January 13, 1981, these provisions are applicable, except that in order to receive the benefits, the retiree must have been an employee of TMWA immediately prior to receiving benefits from the Trust.

In addition to the above requirements, when eligible to enroll in Medicare, Tier I Retirees must enroll in and pay the cost of Medicare Part A and Medicare Part B or Medicare Part C coverage. TMWA benefit plans will become the secondary payer regardless of whether or not the retiree enrolls in the Medicare program.

### Tier II Retirees

The maximum benefits to be paid by the Plan to Tier II Retirees who have not attained age 65 is to be the same amount of the premium paid for group health coverage by an employer for coverage of non-state employees under the Nevada State Public Employee Benefit Plan ("PEBP") Retiree Health Insurance plan. Additionally, Tier II Retirees who have attained the Medicare eligibility age or older will instead receive the equivalent of the State of Nevada's Medicare Exchange Retiree HRA contribution subsidy based upon the combined number of years of service with Washoe County and/or TMWA and must elect to participate in Medicare. In order to receive the benefits afforded to Tier II Retirees under the Plan's terms, the retiree must be an employee of TMWA immediately prior to drawing retirement benefits.

Once some participants exhaust their medical benefits they will continue to be eligible for life benefits under the Trust.

# Truckee Meadows Water Authority OPEB Trust Fund

Notes to Financial Statements

December 31, 2015

---

TMWA: Annual contributions to the Trust are an amount which TMWA determines as necessary to fund the benefits due pursuant to a qualified actuarial analysis. During the year ended December 31, 2015, TMWA contributed \$151,176 to the Trust. Such amounts were equal to or in excess of TMWA's annual required contribution (ARC).

Retirees: Contributions are required for the portion of the premiums and costs in excess of the subsidies provided by TMWA as discussed above. During the year ended December 31, 2015, there were no participants in the Plan.

During the year ended December 31, 2015, the Trust received a one-time contribution of \$546,873 transferred from the Washoe County, Nevada OPEB Trust Fund for the post-employment benefit obligation of the employees transferred to TMWA in connection with the Transfer of Water Utility Operations.

The Plan offers participants Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) continuation of coverage, subject to all conditions and limitations of COBRA. There were no participants utilizing COBRA continuation of coverage during the year ended December 31, 2015.

### **Note 3 - Investments and Risk**

The Board of Trustees have established an investment policy for the Trust. Under the policy, the Trust's assets are limited to investments in the Retirement Benefits Investment Fund (RBIF); and any investment authorized pursuant to NRS 355.170. Such investments under NRS 355.170 include certain "A" rated notes and bonds, guaranteed investment contracts, obligations of the U.S. Treasury, obligations of other U.S. Government agencies, negotiable and non-negotiable certificates of deposit issued by commercial banks or insured savings and loan associations, bankers acceptances, repurchase agreements, "AAA" rated mutual funds that invest in securities of the Federal Government or agencies of the Federal Government, and the State of Nevada Local Government Investment Pool (LGIP).

The Trust invests its assets in RBIF as allowed by the Nevada Revised Statute (NRS) 287.017 and the Nevada Administrative Code (NAC). The RBIF was established pursuant to NRS 355.220 and is administered by the Retirement Benefits Investment Board as an unrated external investment pool. The RBIF is not registered with the Securities and Exchange Commission (SEC) as an investment company. Each participant acts as fiduciary for its particular share of the RBIF and is allocated earnings and expenses according to their proportional share in RBIF. Bank of New York Mellon determines the fair value of the RBIF monthly. The Trust's investment in RBIF of \$541,988 at December 31, 2015 is reported at fair value, which is determined by the fair value per share of RBIF's underlying portfolio as of December 31, 2015. The RBIF primarily invests in a mix of domestic and foreign equity securities and fixed income investments. The RBIF engages only in foreign currency forward contracts to reduce foreign currency translation risk. No other derivatives are allowed. Fixed income securities are 28.3% of the RBIF portfolio at December 31, 2015 and these fixed income securities have maturity dates ranging from December 2016 to November 2045 at December 31, 2015. Complete financial information on RBIF as of June 30, 2015 can be obtained by contacting Public Employees Retirement System (PERS) at 693 W. Nye Lane, Carson City, NV, 89703.



Truckee Meadows Water Authority OPEB Trust Fund  
Notes to Financial Statements  
December 31, 2015

**Note 4 - Funded Status and Funding Progress**

The funded status of the Trust as of the most recent actuarial valuation is as follows:

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) ( b )	Unfunded Actuarial Accrued Liability (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll [(b-a)/c]
January 1, 2015	\$ 546,873	\$ 1,357,972	\$ (811,099)	40.27%	\$ 1,612,906	-50.29%

Actuarial valuations of ongoing plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, return on investments and healthcare cost trends. 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 schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents current year information only, as this is the first year of operation for the Plan. The schedule of funding progress in future years will provide multi-year information about whether the actuarial values of the Trust's assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. In addition, the schedule of contributions from the employer and other entities, also presented as RSI, provides trend information about the amounts contributed to the Trust by TMWA and others in comparison to the annual required contribution (ARC), an amount that is actuarially determined in accordance with parameters of the GASB Statement 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Projections of benefits for financial reporting purposes are based on the Trust as understood by TMWA and the Trust members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between TMWA and Trust members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation is as follows:

Actuarial valuation date	January 1, 2015
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, closed
Remaining amortization period	30 years
Investment rate of return	6.00%
Healthcare inflation rate	5.00%

**Note 5 - Trust Termination**

In the event the Trust terminates, the Trustee shall apply all the assets remaining in the Trust in a uniform and non-discriminatory manner toward the provision of benefits for the participants.



Required Supplementary Information  
**Truckee Meadows Water Authority**  
**OPEB Trust Fund**

Truckee Meadows Water Authority OPEB Trust Fund  
 Schedule of Funding Progress  
 December 31, 2015

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) ( b )	Unfunded Actuarial Accrued Liability (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll [(b-a)/c]
January 1, 2015	\$ 546,873	\$ 1,357,972	\$ (811,099)	40.27%	\$ 1,612,906	-50.29%

The Trust was established in January 2015, thus multi-year information on funding progress will be presented when available.

Truckee Meadows Water Authority OPEB Trust Fund  
Schedule of Contributions from Employer and Other Entities  
December 31, 2015

---

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
December 31, 2015	\$ 151,176	461.75%

The Trust received a one-time contribution of \$546,873 during 2015 that was transferred to the Trust from the Washoe County, Nevada OPEB Trust Fund related to postemployment benefit obligations assigned to the Truckee Meadows Water Authority (TMWA) in connection with the transfer of Washoe County, Nevada's water utility operations to TMWA on January 1, 2015.

The Trust was established in January 2015, thus multi-year information on contributions will be presented when available.