



TRUCKEE MEADOWS WATER AUTHORITY
Section §115 Other Post-Employment Benefit Plan & Trust
Trustee Meeting
AGENDA
Tuesday, July 17, 2018 at 12:30 p.m.
Independence Room
1355 Capital Boulevard, Reno, NV 89502

1. Roll call*
2. Public comment — limited to no more than three minutes per speaker*
3. Approval of the agenda **(For Possible Action)**
4. Approval of the April 17, 2018 minutes. **(For Possible Action)**
5. Update and discussion of post-65 Exchange-HRA Contribution subsidy and impact on benefit costs. —Jessica Atkinson **(For Possible Action)**
6. Review of Retirement Benefits Investment Fund (RBIF) performance review—Michele Sullivan*
7. Required communication from external trust auditors EideBailly—Michele Sullivan
8. Presentation of Truckee Meadows Water Authority Post-Retirement Medical Plan and Trust’s audited financial statements for the years ended December 31, 2017—Michele Sullivan **(For Possible Action)**
9. Update and possible direction for staff for recommendation on Tier I replacements for Trustee George Gaynor –Jessica Atkinson
10. Trustee comments and requests for future agenda items*
11. Public comment — limited to no more than three minutes per speaker*
12. Adjournment **(For Possible Action)**

NOTES:

1. The announcement of this meeting has been posted at the following locations: Truckee Meadows Water Authority (1355 Capital Blvd., Reno), Reno City Hall (1 E. First St., Reno), Sparks City Hall (431 Prater Way, Sparks), Sparks Justice Court (1675 E. Prater Way, Sparks), Washoe County Courthouse (75 Court St., Reno), Washoe County Central Library (301 South Center St., Reno), Washoe County Administration (1001 East Ninth St., Reno), and at <http://www.tnwa.com>.
2. In accordance with NRS 241.020, this agenda closes three working days prior to the meeting. We are pleased to make reasonable accommodations for persons who are disabled and wish to attend meetings. If you require special arrangements for the meeting, please call 834-8002 before the meeting date.
3. The Board may elect to combine agenda items, consider agenda items out of order, remove agenda items, or delay discussion on agenda items. Arrive at the meeting at the posted time to hear item(s) of interest.
4. Asterisks (*) denote non-action items.
5. Public comment is limited to three minutes and is allowed during the public comment periods. The public may sign-up to speak during the public comment period or on a specific agenda item by completing a “Request to Speak” card and submitting it to the clerk. In addition to the public comment periods, the Chairman has the discretion to allow public comment on any agenda item, including any item on which action is to be taken.

Section 115 Post-Retirement Medical Plan & Trust

*a single employer plan sponsored by
Truckee Meadows Water Authority*



DRAFT April 17, 2018 MINUTES

The meeting of the TMWA Section 115 Post-Retirement Medical Plan and Trust (Trust) Trustees was held on Tuesday, April 17, 2018 in the Truckee Meadows Water Authority Independence Room, 1355 Capital Blvd., Reno, Nevada.

Michele Sullivan, Chairman, called the meeting to order at 12:34 p.m.

1. ROLL CALL AND DETERMINATION OF PRESENCE OF A QUORUM.

A quorum was present.

Voting Members Present:

Michele Sullivan
Sandra Tozi
Charles Atkinson

Voting Members Absent:

George Gaynor

Members Present

Rosalinda Rodriguez
Gus Rossi
Jessica Atkinson

Members Absent:

Pat Waite

2. PUBLIC COMMENT

There was no public comment.

3. APPROVAL OF THE AGENDA

Upon motion made and seconded, and carried by unanimous consent of the Trustees present, the Trustees approved the agenda.

4. APPROVAL OF THE JANUARY 16, 2018 MINUTES

Upon motion made and seconded, and carried by unanimous consent of the Trustees present, the Trustees approved the January 16, 2018 meeting minutes.

5. REVIEW AND APPROVAL OF OTHER POST-EMPLOYMENT BENEFITS TRUST CALCULATIONS FOR TMWA RETIREE(S)

Ms. Atkinson presented the benefit calculation for George Gaynor. Mr. Gaynor will retire on June 30, 2018, and is requesting trust benefits beginning on July 1, 2018. Ms. Atkinson met with the retiree and confirmed the information on the benefit calculation form. He has elected to continue on TMWA's HHP insurance plan as retiree plus family (Non- Medicare) Medical Dental and Vision. And will have any remaining premium balance paid from his retirement Health Savings (RHS) or PERS check.

Upon motion made and seconded, and carried by unanimous consent of the Trustees present, the Trustees approved the benefit calculation for George Gaynor.

Ms. Atkinson also present the benefit calculation for Alan Reich. Mr. Reich retired on April 06, 2018, and is requesting trust benefits beginning May 1, 2018. Ms. Atkinson met with the retiree and confirmed the information on the benefit calculation form. He has elected to continue on TMWA's vision coverage as retiree only, and will have any remaining premium balance paid from his retirement Health Savings (RHS) or PERS check.

Upon motion made and seconded, and carried by unanimous consent of the Trustees present, the Trustees approved the benefit calculation for Alan Reich.

6. REVIEW AND DISCUSSION OF POST-65 EXCHANGE-HRA CONTRIBUTION SUBSIDY AND IMPACT ON BENEFIT COSTS

Ms. Atkinson advised that Tier II beneficiaries over the age of 65 receive a fixed subsidy amount based on the published PEBS Exchange HRA contribution table. This is a fixed amount based on the total years of service which is capped at 20. Currently the trust provisions require the retiree stay on the TMWA plan and apply the subsidy amount towards their TMWA premium. Retirees are required to enroll in and pay the cost of Medicare in order to stay on the TMWA benefits plans. The combined costs of Medical (currently \$134 per month) plus the retiree premium for medical and vision coverage is substantially greater, even with the subsidy credit than what the retiree could purchase a Medicare Advantage Plan or similar Medigap, Mediwrap plan for. Due to the costs associated with staying on the TMWA medical plan, post-65 Tier II beneficiaries, are not likely to take full advantage of their benefit. Ms. Atkinson proposed that this be a starting point for the discussion as several factors will need to be taken into

consideration before any formal recommendation is made to include legal, and tax implications as well as actuarial considerations.

Discussion ensued whether or not beneficiaries should be allowed to submit reimbursement requests so they don't lose out on their benefit. It is a closed trust there would not be any other new members.

The Trustees requested that Ms. Atkinson research this further and bring her findings to the next scheduled meeting for further discussion.

7. PRESENTATION OF THE BUDGET FOR CALENDAR YEAR 2018

Ms. Sullivan presented the Budget for calendar year 2018. Budget includes the annual contribution. Benefits paid are \$39,000, admin expenses are 7500, and a net increase of \$80,000 is expected.

Upon motion made and seconded, and carried by unanimous consent of the Trustees present, the Trustees approved the budget for calendar year 2018.

8. PRESENTATION OF GASB 74 UPDATE, AND ACTUARIAL REPORT

Ms. Sullivan presented the actuarial report which was performed by the new actuary Bickmore, and advised that there is a new way of measuring actuarial value. Ms. Sullivan also advised that the audit on the trust would begin next week and would be conducted by Eide Bailly. A discount rate of 6% was used which is a conservative number. Currently the Trust is slightly underfunded, this can change depending on the market.

Upon motion made and seconded, and carried by unanimous consent of the Trustees present, the Trustees approved the Actuarial report.

9. DISCUSS AND RECOMMEND POSSIBLE TIER I REPLACEMENTS FOR TRUSTEE GEORGE GAYNOR

Ms. Atkinson advised that with the pending retirement of trustee George Gaynor, the trust document does not require 4 trustees. The reason the trust was originally started with 4 trustees was to provide beneficiary representation for each of the two tiers, which coincidentally also provided both MPAT and IBEW representation and the other 2 trustees were assigned based on the officer and financial experience requirements. Staff was looking for Trustees to make a recommendation to the General

Manager, whether or not replace Mr. Gaynor, and if so recommend what benefit classification the replacement should come from.

Before making a recommendation, the Trustees asked that Mr. Rossi research if a retiree needs to serve as a Trustee on the plan, and to bring back his findings to the next scheduled meeting.

10. TRUSTEE COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS

RBIF investment/return analysis next quarter.

Financial Statements if available

11. PUBLIC COMMENT – LIMITED TO NO MORE THAN THREE MINUTES PER SPEAKER

There was no public comment.

12. ADJOURNMENT

With no further business to discuss, Chairperson Sullivan adjourned the meeting at 1:01 p.m.

Minutes were approved by the Trustees in session on _____.

Respectfully Submitted,

Rosalinda Rodriguez, Recording Secretary

Retirement Benefits Investment Fund

March 31, 2018

All Returns Net of Fees

Asset Class	Market Value	Target Allocation	Actual Allocation	FYTD Return	One Year	3 Years	5 Years	10 Years	Since Inception (2008)
U.S. Stocks- S&P 500 Index	\$ 224,502,638	49.0%	50.0%	10.6%	14.0%	10.7%	13.3%	9.5%	9.0%
Market Return				10.6%	14.0%	10.8%	13.3%	9.5%	8.9%
Int'l Stocks- MSCI EAFE Index	\$ 95,030,287	21.0%	21.2%	8.1%	14.9%	5.7%	6.6%	2.9%	2.8%
Market Return				8.2%	14.8%	5.6%	6.5%	2.7%	2.7%
U.S. Bonds- U.S. Bond Index	\$ 127,997,502	30.0%	28.5%	-0.7%	0.5%	0.5%	1.3%	3.1%	3.1%
Market Return				-0.8%	0.4%	0.5%	1.1%	2.7%	2.9%
	\$ 1,095,153	0.0%	0.2%						
Total RBIF Fund	\$ 448,625,580	100.0%	100.0%	6.7%	10.1%	6.7%	8.4%	6.6%	6.3%
Market Return				6.7%	10.0%	6.7%	8.4%	6.6%	6.4%

June 27, 2018

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

We have audited the financial statements of Truckee Meadows Water Authority OPEB Trust Fund (the “Plan”) as of and for the year ended December 31, 2017, and have issued our report thereon dated June 27, 2018. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit under Accepted Auditing Standards

As communicated in our engagement letter dated March 8, 2018, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan’s internal control over financial reporting. Accordingly, as part of our audit, we considered the internal controls of the Plan solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Plan's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Plan is included in Note 1 to the financial statements. As described in Note 1 to the financial statements, the Plan adopted Governmental Accounting Standards Board (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 Statement No. 43. Accordingly, the accounting change has been retrospectively applied to the financial statements beginning January 1, 2017. There have been no initial selection of accounting policies and no changes in significant accounting policies other than the adoption of GASB Statement No. 74.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. The most sensitive accounting estimates affecting the financial statements was:

Management's estimate of the OPEB liability in Note 4 to the financial statements which is based on valuation performed by a third party actuary utilizing various assumptions for the calculation. We evaluated the key factors and assumptions used to develop the valuation and resulting OPEB liability of the Plan and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

The financial statements disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. We are pleased to report that no such misstatements were detected as a result of our audit procedures.

Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole; of which there were none.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Plan's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated June 27, 2018.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Plan, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Plan, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Plan's auditors.

Other Matters

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

We applied certain limited procedures to management's discussion and analysis, the schedule of changes in the net OPEB liability and related ratios, the schedule of contributions, and the schedule of investment returns, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

This information is intended solely for the use of the Board of Trustees and management of Truckee Meadows Water Authority OPEB Trust Fund and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Reno, Nevada



Financial Statements
December 31, 2017

Truckee Meadows Water Authority OPEB Trust Fund

Truckee Meadows Water Authority OPEB Trust Fund

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December 31, 2017

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Truckee Meadows Water Authority OPEB Trust Fund (the "Plan"), which comprise the statement of fiduciary net position as of December 31, 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 Plan'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 Plan'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 Plan'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 Truckee Meadows Water Authority OPEB Trust Fund as of December 31, 2017, and the changes in the fiduciary net position for the year then ended in conformity 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 Plan adopted Governmental Accounting Standards Board Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which resulted in a restatement of fiduciary net position as of January 1, 2017. 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 pages 3 through 5, the schedule of changes in net OPEB liability and related ratios, the schedule of contributions, and the schedule of investment returns on pages 15 through 17, 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.



Reno, Nevada
June 27, 2018

Truckee Meadows Water Authority ("TMWA") financial management provides the following discussion and analysis as an introduction to the basic financial statements and an analytical overview of the Plan's financial activities for the reporting periods ended December 31, 2017 and 2016. This narrative is intended as a supplement and should be read in conjunction with the financial statements.

The Plan 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 utility operations, TMWA agreed to preserve post-employment benefits for transferred employees only and the Plan is closed to any additional employees.

Overview of the Financial Statements

The Plan'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 financial statements required supplementary information is provided in the following schedules:

- Schedule of Changes in the Net OPEB Liability and Related Ratios
- Schedule of Contributions
- Schedule of Investment Returns

The *Statement of Fiduciary Plan Net Position* presents the Plan's assets and liabilities and the net position, with the assets being held in trust for beneficiary post-employment benefits. This statement measures the Plan's investments at fair value, cash, other short-term assets and liabilities as of the year ended December 31, 2017.

The *Statement of Changes in Fiduciary Net Position* presents information showing how the Plan's net position changed during the reporting year. This statement includes additions for employer contributions, investment income and deductions for payments for the benefit of retirees and administrative expenses for the year ended December 31, 2017.

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

The *Schedule of Changes in the Net OPEB Liability and Related Ratios* is required supplementary information which provides multi-year information about the OPEB liabilities for which the Plan's assets are held and managed.

The *Schedule of Contributions* is required supplementary information which provides multi-year information. It contains the actuarial determined contribution as well as the methods and assumptions used to determine contribution rates.

The *Schedule of Investment Returns* is required supplementary information which provides multi-year information regarding the rate of return calculated as the internal rate of return on the Plan's investments, net of investment expense.

Financial Highlights

As of January 1, 2017, the Plan adopted Governmental Accounting Standards Board Statement No. 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 Plan's January 1, 2017 net position as it does not allow for recognition of certain contributions receivable unless they are contributions owed for benefits that are due and payable as of the financial reporting date.

Financial highlights of the Plan as of and for the year ended December 31, 2017 are as follows:

- Operating cash balances at year end were \$37 thousand
- Plan investments at fair value at year end were \$963 thousand
- Investment income, including realized and unrealized gains, was \$126 thousand
- Employer contributions to the plan were \$103 thousand

Financial highlights of the Plan as of and for the year ended December 31, 2016 are as follows:

- Operating cash balances at year end were \$210 thousand
- Plan investments at fair value at year end were \$577 thousand
- Investment income, including realized and unrealized gains, was \$35 thousand
- Employer contributions to the plan were \$151 thousand

Plan Analysis

The following table provides a summary of the two years of Net Position of the Plan:

	2017	2016	Change 2017 v 2016
Assets			
Cash	\$ 36,676	\$ 210,015	\$ (173,339)
Receivables from plan members	77	-	77
Investments, at fair value	963,078	577,273	385,805
Net Position restricted for other postemployment benefits	\$ 999,831	\$ 787,288	\$ 212,543

At December 31, 2017 Plan assets of \$1 million were comprised of investments at fair value of \$963 thousand and \$37 thousand in operating cash. Plan assets increased by \$213 thousand as compared to December 31, 2016. Investments at fair value increased \$386 thousand offset by a decrease to cash of \$173 thousand.

Truckee Meadows Water Authority OPEB Trust Fund
Management's Discussion & Analysis
Year Ended December 31, 2017

The following table provides a summary of the two years of Change in Net Position of the Plan:

	2017	2016	Change 2017 v 2016
Additions			
Net Investment Income	\$ 125,822	\$ 35,285	\$ 90,537
Employer Contributions	103,441	151,176	(47,735)
Total Additions	229,263	186,461	42,802
Deductions			
Benefit Payments	9,334	-	9,334
Administrative Expenses	7,386	10,575	(3,189)
Total Deductions	16,720	10,575	6,145
Change in Net Position	212,543	175,886	36,657
Net Position, restricted for other postemployment benefits			
Beginning of year, as previously reported	839,009	-	839,009
Prior Period Adjustment	(51,721)	-	(51,721)
Beginning of year, restated	787,288	611,402	175,886
End of Year	\$ 999,831	\$ 787,288	\$ 212,543

Net position is restricted for future benefit payments to retirees.

As of December 31, 2017 the Net Position of the Plan was \$1 million. The Plan Net Position is comprised of assets of the Plan. The Net Position of the Plan increased \$213 thousand in 2017, or \$37 thousand more than an increase of \$176 thousand in 2016. This was primarily due to the increase in fair value of investments of \$126 thousand in 2017 which was \$91 thousand more than increases in fair value of investments of \$35 thousand in 2016 due to higher returns from the investment portfolio. Employer contributions in 2017 of \$103 thousand were lower than contributions of \$151 thousand in 2016, and were based on a lower actuarial determined contribution (formerly annual required contribution) calculated as of July 1, 2016. In 2017, the Plan paid benefits for the first time as 2017 was the first year there was a retiree in the Plan. Administrative expenses were \$7 thousand in 2017, \$3 thousand lower than administrative expenses in 2016.

To ensure that funds are accumulated on a regular and systematic basis it is the practice of TMWA to contribute the actuarial determined contribution to the Plan regularly and never less than annually. This has ensured that the Plan's assets are sufficient to cover the net OPEB liability which is disclosed in Note 4 to the financial statements.

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 of the Truckee Meadows Water Authority at P.O. Box 30013, Reno, NV 89509-3013.

Truckee Meadows Water Authority OPEB Trust Fund
Statement of Fiduciary Net Position
December 31, 2017

Assets

Cash	<u>\$ 36,676</u>
Receivables Plan members	<u>77</u>
Investments, at fair value	<u>963,078</u>
Net position restricted for other postemployment benefits	<u><u>\$ 999,831</u></u>

Truckee Meadows Water Authority OPEB Trust Fund
Statement of Changes in Fiduciary Net Position
Year Ended December 31, 2017

Additions		
Investment income		
Net appreciation in fair value of investments	\$	126,004
Less investment expense		<u>182</u>
Net investment income		125,822
Contributions		
Employer		<u>103,441</u>
Total additions		<u>229,263</u>
Deductions		
Benefits paid		9,334
Administrative expenses		<u>7,386</u>
Total deductions		<u>16,720</u>
Change in Net Position		212,543
Net position restricted for other postemployment benefits		
Beginning of year, as previously reported		839,009
Prior Period Adjustment		<u>(51,721)</u>
Beginning of year, restated		<u>787,288</u>
End of year	\$	<u><u>999,831</u></u>

Note 1 - Significant Accounting Policies**Reporting Entity**

The Truckee Meadows Water Authority (TMWA) established a governmental trust under Section 115 of the Internal Revenue Code (IRC) of 1986, as amended, which is referred to as the Truckee Meadows Water Authority OPEB Trust Fund (the "Plan"), a single-employer defined benefit other post-employment benefit plan (OPEB). The Plan 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 IRC Section 115. This Plan provides future TMWA retirees eligible for coverage under the Plan with post-employment group health and life benefits, including medical, dental, vision, and spouse life benefits. The Plan's financial reporting period ends December 31, while TMWA's financial reporting period ends June 30.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America. These statements have also been prepared in accordance with the reporting standards as promulgated by the Governmental Accounting Standards Board (GASB), which designates accounting principles and financial reporting standards applicable to the Plan.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements is in conformity with the accounting principles generally accepted in the United States of America may require management to make estimates and assumptions that affect amounts reported in financial statements and accompanying notes. Actual results may differ from those estimates.

Investment Valuation and Income Recognition

Investments are stated 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. Investment income consists of the Plan's net earnings from its participation in the State of Nevada's Retirement Benefits Investment Fund (RBIF), an external investment pool. The Plan's net earnings from the external investment pool is based on the Plan's original investment plus a monthly allocation of investment income, including realized and unrealized gains and losses, which is the same as the value of the pool shares.

Contributions

Contributions are recognized in the period in which such amounts are owed by TMWA to the Plan for the OPEB benefits as they become due and payable.

Payment of Benefits

Benefits, net of plan member contribution and refunds are recognized when due and payable in accordance with the terms of the Plan.

Administrative Expenses

Administrative expenses are recorded when incurred and payable by the Plan.

Implementation of GASB Statement No. 74

As of January 1, 2017, the Plan adopted 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 Statement No. 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 changes to financial reporting are included in Note 5. The additional disclosures required by this standard are included in Note 4 and the required supplementary information.

Note 2 - Plan Description and Contribution Information**Plan Description**

The Plan, 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 Plan will be governed by not less than three (3) but not more than five (5) Trustees. Four (4) trustees were appointed by the TMWA Board of Directors, two 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 are established and amended through TMWA's collective bargaining agreement for its represented employees (IBEW) and by the TMWA Board of Directors with respect to non-represented Management, Professional, Administrative, and Technical employees (MPAT).

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 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 Plan 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 Plan 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 basic annual earnings) 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.

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

Membership of the Plan

As of December 31, 2017, membership of the Plan consisted of the following:

Retirees currently receiving medical benefits	1
Retirees currently receiving life benefits	-
Retirees entitled to, but not yet receiving benefits	-
	<u>1</u>
Active Plan Members	
IBEW members	15
MPAT members	6
	<u>21</u>

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

Contributions and Benefits Provided

Post-employment benefits available to retirees under the Plan 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% of the 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 Plan.

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. The PEBP Master Plan Document can be obtained by writing to the Nevada Public Employees Medical Program, 901 South Stewart Street, Suite 1001, Carson City, NV 89701 or visiting their website www.pebp.state.nv.us. 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 participants exhaust their medical benefits they will continue to be eligible for life benefits under the Plan.

TMWA: Annual contributions to the Plan 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, 2017, TMWA contributed \$103,441 to the Plan.

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, 2017, there was one retiree in the Plan.

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, 2017.

Note 3 - Investments

The Board of Trustees has established an investment policy for the Plan. Under the policy, the Plan's assets are limited to investments in the State of Nevada's Retirement Benefits Investment Fund (RBIF); and any investment authorized pursuant to Nevada Revised Statute (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).

Truckee Meadows Water Authority OPEB Trust Fund

Notes to Financial Statements

December 31, 2017

RBIF

The Plan invests its assets in the RBIF as allowed by the 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 (RBIB) 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 Plan's investment in RBIF was \$963,078 at December 31, 2017, and is reported at fair value, which is based on the observable market prices of the underlying assets held by the pool, less liabilities. Complete financial information on RBIF as of June 30, 2017 can be obtained by contacting Public Employees Retirement System (PERS) at 693 W. Nye Lane, Carson City, NV, 89703.

Note 4 - Net OPEB Liability of the Plan

The components of the net OPEB liability of the Plan at December 31, 2017, were as follows:

Total OPEB liability	\$ 1,826,373
Plan fiduciary net position	<u>999,831</u>
Net OPEB liability	<u><u>\$ 826,542</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	54.74%

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 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 percent of pay
Amortization period	27 years, closed
Asset valuation method	Market value of assets
Inflation	2.75%
Salary increase	4.00%
Discount Rate	6.00%
Investment rate of return	6.00%
Healthcare inflation rate	6.25% initial 5.00% ultimate for 2024 and later years

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

Truckee Meadows Water Authority OPEB Trust Fund

Notes to Financial Statements

December 31, 2017

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 actuarial assumptions used in the December 31, 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 discount rate used to measure the total OPEB liability was 6.0 percent. The projection of cash flows used to determine the discount rate assumed that Plan contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liability of TMWA, as well as what TMWA's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.0 percent) or 1-percentage-point higher (7.0 percent) than the current discount rate:

	1% Decrease (5%)	Discount Rate (6%)	1% Increase (7%)
Net OPEB Liability (Asset)	\$ 1,093,372	\$ 826,542	\$ 605,262

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

The following presents the net OPEB liability of TMWA, as well as what TMWA's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.25 percent decreasing to 4.0 percent) or 1-percentage-point higher (7.25 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

	1% Decrease (5.25% decreasing to 4%)	Discount Rate (6.25% decreasing to 5%)	1% Increase (7.25% decreasing to 6%)
Net OPEB Liability (Asset)	\$ 559,854	\$ 826,542	\$ 1,180,849

Note 5 - Accounting Change

As of January 1, 2017, the Plan 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 the legal requirements. Accordingly, net position as of January 1, 2017 has been restated for the cumulative effect of this change.

The following table shows the change to the beginning net position as of January 1, 2017 for the Plan:

Net position restricted for other postemployment benefits other than pensions, as previously reported	\$ 839,009
Prior period adjustment, contribution	<u>(51,721)</u>
Net position restricted for other postemployment benefits other than pensions, as restated	<u>\$ 787,288</u>

Note 6 - Plan Termination

In the event the Plan terminates, the Trustee shall apply all the assets remaining in the Plan 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 Changes in the Net OPEB Liability and Related Ratios
December 31, 2017

Total OPEB Liability

Service cost	\$ 54,769
Interest cost	103,644
Change of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments	<u>(9,334)</u>

Net Change in Total OPEB Liability	<u>149,079</u>
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Total OPEB Liability - beginning	<u>1,677,294</u>
Total OPEB Liability - ending (a)	<u><u>\$ 1,826,373</u></u>

Plan Fiduciary Net Position

Contributions - employer	\$ 103,441
Net investment income	125,822
Benefit payments	(9,334)
Auditing fees	(6,000)
Administrative fees	(598)
Legal fees	(788)
Retiree contributions in	930
Retiree contributions out	<u>(930)</u>

Net Change in Plan Fiduciary Net Position	212,543
Plan Fiduciary Net Position - beginning	<u>787,288</u>
Plan Fiduciary Net Position - ending (b)	<u><u>\$ 999,831</u></u>

TMWA's Net OPEB Liability - ending (a) - (b)	<u>\$ 826,542</u>
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Plan fiduciary net position as a percentage of the total OPEB liability	54.74%
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Covered-employee payroll	\$ 1,949,023
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TMWA's Net OPEB liability as a percentage of covered-employee payroll	42.41%
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* 10 year trend: GASB 74 is being implemented in 2017; therefore, 10 years of information is unavailable.

Truckee Meadows Water Authority OPEB Trust Fund
Schedule of Contributions
December 31, 2017

Actuarially determined contribution	\$ 111,404
Contributions in relation to the actuarially determined contribution	<u>103,441</u>
Contribution deficiency	<u>\$ 7,963</u>
Covered-employee payroll	\$ 1,949,023
Contributions as a percentage of covered-employee payroll	5.31%

Notes to Schedule:

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

Valuation Date: Actuarially determined contribution rates are calculated as of December 31, 2017. Methods and assumptions used to determine contribution rates are as follows:

Actuarial cost method	Entry age normal cost
Amortization method	Level percent of pay
Amortization period	27 years, closed
Asset valuation method	Market value of assets
Inflation	2.75 percent per year
Healthcare cost trend rates	6.25 percent initial, decreasing 0.25 percent per year to an ultimate rate of 5.0 percent
Salary increase	4.0 percent per year
Discount rate	6.0 percent
Investment rate of return	6.0 percent
Retirement age	In the 2018 actuarial valuation, expected retirement ages of general employees were adjusted to more closely reflect actual experience.
Mortality	In the 2018 actuarial valuation, mortality rates were based on the Bickmore Scale 2017, a custom table developed by the Plan's actuary.

Truckee Meadows Water Authority OPEB Trust Fund
Schedule of Investment Returns
December 31, 2017

Annual money-weighted rate of return, net of investment expense	15.56%
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* 10 year trend: GASB 74 is being implemented in 2017, therefore, 10 years of information is unavailable.