

Post Retirement Medical Plan & Trust
a single employer plan sponsored by
Truckee Meadows Water Authority



TO: Board of Trustees of the TMWA Post-Retirement Medical Plan and Trust
FROM: Jeff Tissier, TMWA CFO and Chairman
DATE: February 17, 2011
SUBJECT: Approval of the Audited Financial Statements for the Calendar Year 2009

Recommendation

The Board of Trustees approves the calendar year 2009 audited financial statements of the Post-Retirement Medical Plan and Trust (PRMPT).

Suggested Motion

Move to approve the calendar year 2009 audited financial statements of the PRMPT.

Background

The 2009 calendar year financial statements present fairly the financial status of the Truckee Meadows Water Authority (TMWA) PRMPT. Total PRMPT assets at the end of calendar year 2009 stood at \$5,143,719 which is reflective of an excellent funding status to meet the future needs of TMWA retirees.

The PRMPT received significant contributions from TMWA and NV Energy during the calendar year. TMWA made annual provisions for its contribution since the inception of TMWA while the NV Energy contribution reflects a portion of the NV Energy trust assets set aside for personnel who transferred assets to TMWA from NV Energy, formerly Sierra Pacific Resources. The PRMPT auditor will present their opinion and the Statement of Auditing Standard (SAS) 115 report.



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November 22, 2010

To the Board of Trustees of the
Truckee Meadows Water Authority
Post-Retirement Medical Plan and Trust

In planning and performing our audit of the financial statements of the Truckee Meadows Water Authority Post-Retirement Medical Plan and Trust (the "Plan") as of December 31, 2009 and for the year then ended, in accordance with auditing standards generally accepted in the United States of America, we considered the Plan's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Plan's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the Plan's internal control to be a significant deficiency:

Working Trial Balance

During our audit we noted that the Plan did not have a working trial balance. Management prepared the financial statements through compiling activity from the Plan's investment statements with BNY Mellon, RBIF, and the account with US Bank. We recommend management capture and record activity of the Plan through the formalized recordkeeping afforded by a working trial balance.

- ELKO
- FALLON
- LAS VEGAS
- RENO
- WINNEMUCCA
- YERINGTON

To the Board of Trustees
of Truckee Meadows Water Authority
Post-Retirement Medical Plan and Trust
November 22, 2010
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Management Response:

The TMWA OPEB Trust has implemented the use of QuickBooks accounting software in calendar year 2010 to account for the transactions of the trust separate and apart from TMWA. Use of this software will create a working trial balance for the Trust. In 2009, the Trust prepared the financial statements using excel because of the limited number of transactions.

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

Kafoury, Armstrong & Co.

Reno, Nevada
November 22, 2010



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November 22, 2010

To the Board of Trustees of the
Truckee Meadows Water Authority
Post-Retirement Medical Plan and Trust
1355 Capital Blvd
Reno, NV 89502

We have audited the financial statements of Truckee Meadows Water Authority Post-Retirement Medical Plan and Trust (the "Plan") as of December 31, 2009 and for the year then ended. Professional standards require that we provide you with the following information related to our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated March 23, 2010. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Plan are described in Note 1 to the financial statements. Policies were set upon inception of the Plan and no new accounting policies were adopted and the application of existing policies was not changed during 2009. We noted no transactions entered into by the Plan during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's 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 significantly from those expected. In addition, certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure and accounting estimates affecting the financial statements were:

Management's estimate of the funded status and funding progress (see Note 3) is based on valuations performed by a third party actuary utilizing various assumptions for the calculations. We evaluated the key factors and assumptions used to develop the funded status and funding progress in determining that they are reasonable in relation to the financial statements taken as a whole.

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To the Board of Trustees of the
TMWA Post-Retirement
Medical Plan and Trust
November 22, 2010

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We did not identify any known or likely misstatements during the audit.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 22, 2010.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Plan's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Plan's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

To the Board of Trustees of the
TMWA Post-Retirement
Medical Plan and Trust
November 22, 2010

This information is intended solely for the use of the Board of Trustees and management of Truckee Meadows Water Authority Post-Retirement Medical Plan and Trust and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Kafoury, Armstrong & Co." in a cursive style.

Kafoury, Armstrong & Co.

TRUCKEE MEADOWS WATER AUTHORITY
POST-RETIREMENT MEDICAL PLAN AND TRUST
DECEMBER 31, 2009

**Truckee Meadows Water Authority
Post-Retirement Medical Plan and Trust
December 31, 2009**

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Independent Auditor's Report

To the Board of Trustees of the
Truckee Meadows Water Authority
Post-Retirement Medical Plan and Trust

We have audited the accompanying statement of plan net assets of the Truckee Meadows Water Authority Post-Retirement Medical Plan and Trust (the "Plan") as of December 31, 2009 and the related statement of changes of plan net assets for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards general 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the Truckee Meadows Water Authority Post-Retirement Medical Plan and Trust as of December 31, 2009, and the changes in financial status for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Schedules of Funding Progress and Contributions from Employer and Other Contributing Entities on page 9 are not a required part of the financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Kafoury, Armstrong & Co.

Reno, Nevada
November 22, 2010

**Truckee Meadows Water Authority
Post-Retirement Medical Plan and Trust
Statement of Plan Net Assets
as of December 31, 2009**

Assets	
Cash	\$ <u>57,271</u>
Receivables	
Employer	265,691
Other	<u>1,000</u>
Total receivables	266,691
Investments, at fair value	<u>4,819,757</u>
Total Assets	<u>5,143,719</u>
Net assets held in trust for other postemployment benefits	<u><u>\$ 5,143,719</u></u>

See accompanying notes.

**Truckee Meadows Water Authority
Post-Retirement Medical Plan and Trust
Statement of Changes in Plan Net Assets
for the Year Ended December 31, 2009**

Additions

Contributions	
Employer	\$ 2,945,563
Former employer's trust	1,520,091
Total contributions	<u>4,465,654</u>
Investment Income	
Net appreciation in fair value of investments	<u>678,624</u>
Total Additions	5,144,278

Deductions

Administrative expenses	<u>559</u>
Net Increase	5,143,719

**Net assets held in trust for other
postemployment benefits**

Beginning of year	-
End of year	<u>\$ 5,143,719</u>

See accompanying notes.

**Truckee Meadows Water Authority
Post-Retirement Medical Plan and Trust
Notes to the Financial Statements
December 31, 2009**

NOTE 1 – Summary of Significant Accounting Policies

Reporting Entity

The Truckee Meadows Water Authority (TMWA) established a Voluntary Employee Benefit Association (VEBA) pursuant to Internal Revenue Service (IRS) Code 501(c) 9 which is referred to as the Truckee Meadows Water Authority Post-Retirement Medical Plan and Trust (the Plan), a single-employer defined benefit other postemployment benefit (OPEB) Plan. Tax exempt status was granted by the IRS on May 25, 2007. This Plan provides eligible TMWA retirees with postemployment group health benefits, including medical, dental, and vision benefits. The Plan's financial reporting period ends December 31 while TMWA's financial reporting period ends June 30.

Basis of Accounting

The Plan's financial statements are prepared using the accrual basis of accounting in accordance with Governmental Accounting Standards Board (GASB) Statement 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Employer and Plan member 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 and when the retiree plan members are obligated to make their participating contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Administrative expenses are recorded when incurred and payable by the Plan.

Method Used to Value Investments

The Plan invests its assets in the State of Nevada's Retirement Benefit Investment Fund (RBIF) as required by Nevada Revised Statute (NRS) 287.107 and the Nevada Administrative Code (NAC). RBIF was established per NRS 355.220 and is administered by the Retirement Benefits Investment Board as an external investment pool. RBIF is not registered with the SEC as an investment company. Each participant acts as fiduciary for its particular share of 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 is reported at fair value, which is determined by the fair value per share of RBIF's underlying portfolio as of December 31, 2009. Complete financial information on RBIF as of June 30, 2009, can be obtained by contacting PERS at 693 W. Nye Lane, Carson City, NV, 89703.

**Truckee Meadows Water Authority
Post-Retirement Medical Plan and Trust
Notes to the Financial Statements
December 31, 2009**

NOTE 2 - Plan Description and Contribution Information

Plan Description

The Plan, a single-employer defined benefit OPEB plan was established to provide eligible Truckee Meadows Water Authority (TMWA) retirees with post employment health benefits, including medical, dental and vision benefits. Pursuant to Nevada State Administrative Regulations, adopted in September 2008, the Plan will be governed by not less than three but not more than five Trustees. Four Trustees were appointed by the TMWA Board of Directors as of December 31, 2009, two members from non-represented positions and two members from represented positions were selected.

Eligibility requirements, benefit levels, retiree contributions and TMWA contributions are established and amended through TMWA's Collective Bargaining Agreement for its represented employees and by the TMWA Board of Directors with respect to non-represented (MPAT) employees.

Retiree Healthcare Plan Options

TMWA retirees have the option to enroll in Preferred Provider Organization (PPO) or 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.

In order to be eligible for benefits, employees must have at least ten years of credited service with TMWA, must be at least 55 years of age and must be eligible to immediately obtain benefits as a retiree under the Nevada Public Employees Retirement System (PERS). When eligible, retirees must enroll in and pay the cost of Medicare Part B or Medicare Part C.

Membership of the Plan

Membership of the Plan consisted of the following:

Retirees currently receiving benefits	
Retiree employees	5
Active plan members	
IBEW hires	93
MPAT hires	74
Total	167

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Truckee Meadows Water Authority
Post-Retirement Medical Plan and Trust
Notes to the Financial Statements
December 31, 2009

Contributions

TMWA: There are three classifications of TMWA employees eligible for post-retirement benefits upon retirement from TMWA. TMWA is responsible for a subsidy towards the cost of retiree coverage; the amount of which is dependent on the classification of the employee at time of retirement from TMWA. The classes of employees and related TMWA subsidies are as follows:

Collective Bargaining Unit of the International Brotherhood of Electrical Workers (IBEW) group hired on or before January 1, 1998:

Retirees in this classification receive a benefit as a percentage of the total group health premiums, dependent upon credited years of service and their age at retirement. The maximum subsidy is 85% of the health care premium with a minimum of 20 years of credited service. Retirees with 20 or more years of credited service electing the Medicare Risk Contract receive a subsidy of 100%. Retirees may elect the employer-offered medical plan of their choice for themselves and qualified dependents.

IBEW group hired after January 1, 1998:

Retirees in this classification will receive a lifetime lump-sum subsidy toward their chosen health coverage and the coverage of qualified dependents. The subsidy is a total of \$1,250 multiplied by each year of credited service. This amount does not grow with interest and once exhausted a retiree is responsible for paying the full cost of their health premiums.

Management, Professional, Administrative and Technical (MPAT) personnel, regardless of date of hire:

Retirees in this classification are eligible to receive an annual subsidy towards the cost of their health premiums calculated at \$235 multiplied by credited years of service up to 30 years for retirees age 55 through 64; and \$105 multiplied by credited years of service up to 35 years for retirees age 65 and above. The subsidy is reduced by five (5) percent for each year or partial year that the individual is under age 62 as of his or her retirement date. There is no extra subsidy for spousal or dependent coverage.

TMWA shall annually contribute to the Plan an amount which TMWA determines is necessary to fund the benefits due pursuant to a qualified actuarial analysis. During the year ended December 31, 2009, TMWA contributed approximately \$2.9 million which included \$2.7 million that was set aside in previous years by TMWA for the purpose of funding future retiree health benefits upon establishment of the VEBA.

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, 2009 retirees' share of premiums and costs ranged from \$95 to \$1,092 a month. The

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Truckee Meadows Water Authority
Post-Retirement Medical Plan and Trust
Notes to the Financial Statements
December 31, 2009

Plan did not receive contributions from retirees during the year ended December 31, 2009 as TMWA directly paid retiree benefits and directly received reimbursement for the portion of premiums that were the retirees' responsibility. It is anticipated the Plan will begin to pay premiums for retirees and receive the portion of premiums that are the retirees' responsibility sometime in the next calendar year once administrative and financial procedures and policies are established.

Other Contributing Entity: On June 11, 2001, NV Energy, Inc., formerly known as Sierra Pacific Power Company, a subsidiary of Sierra Pacific Resources, closed the sale of its water business to TMWA. As a condition of the sale, TMWA assumed the current retirement and post-retirement benefit obligations for all eligible Plan members affected by the sale. The actuarially determined benefit obligations assigned to TMWA were determined at the time of the sale and NV Energy, Inc. held these assets in a trust account until such time as TMWA had established its own trust to hold the assets. NV Energy, Inc. transferred the assets it held in trust, totaling approximately \$1.5 million, to the Plan during the year ended December 31, 2009. No further contributions from NV Energy, Inc. are expected or required.

NOTE 3 - Funded Status and Funding Progress

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

	(a)	(b)	(b-a)	(a/b)	(c)	[(b-a)/c]
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2007	\$ 1,462,762	\$ 7,112,341	\$ 5,649,579	20.6%	\$ 12,325,564	45.80%

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, present multiyear trend information about whether the actuarial values of the Plan's assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. In addition, the schedule of contributions from employer and other contributing entities, also presented as RSI, provides trend information about the amounts contributed to the Plan by TMWA in comparison to the annual required contribution (ARC), an amount that is actuarially determined in accordance with the parameters of GASB Statement 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

**Truckee Meadows Water Authority
Post-Retirement Medical Plan and Trust
Notes to the Financial Statements
December 31, 2009**

Projections of benefits for financial reporting purposes are based on the Plan as understood by TMWA and the Plan 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 Plan 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 follows:

Actuarial valuation date	July 1, 2007
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, closed
Remaining amortization period	30 years
Investment rate of return	4.25%
Healthcare inflation rate	6.00%

**Truckee Meadows Water Authority
Post-Retirement Medical Plan and Trust
Required Supplementary Information
For the Year Ended December 31, 2009**

Schedule of Funding Progress

	(a)	(b)	(b-a)	(a/b)	(c)	[(b-a)/c]
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2007	\$ 1,462,762	\$ 7,112,341	\$ 5,649,579	20.6%	\$ 12,325,564	45.8%

The most significant expected change in future actuarial assumptions is an expected eight percent return on investments which is the historical long term return on investments in the Public Employees Retirement System of Nevada (PERS). The Plan invests its assets with RBIF a fund that mirrors the investment strategy of PERS consequently the justification for using the eight percent return on assets in future valuations.

Schedule of Contributions from Employer and Other Contributing Entities

Employer Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
June 30, 2009	\$518,064	568.57%

During the year ended December 31, 2009, the Plan received a one-time contribution of \$1,520,091 transferred from the VEBA of NV Energy, Inc. related to post-retirement benefit obligations assigned to TMWA in connection with the sale of the water assets to TMWA in 2001. This amount represents 100% of NV Energy's total required contribution to the Plan.