



**CARSON CITY, NEVADA**  
**OPEB TRUST FUND**  
**FINANCIAL STATEMENTS FOR THE**  
**FISCAL YEAR ENDED**  
**JUNE 30, 2018 AND 2017**

CARSON CITY, NEVADA OPEB TRUST FUND  
FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 AND 2017

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## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the Carson City, Nevada OPEB Trust Fund (the "Trust"), which comprise the statements of fiduciary net position as of June 30, 2018 and 2017, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Trust as of June 30, 2018 and 2017, and the changes in the fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Change in Accounting Principle**

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

**Other Matters**

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on page 3, the schedule of changes in the City's net OPEB liability and related ratios on page 17, the schedule of City contributions on page 18, and the schedule of investment returns on page 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Reno, Nevada  
May 3, 2019

CARSON CITY, NEVADA, OPEB TRUST FUND  
MANAGEMENT'S DISCUSSION & ANALYSIS  
YEAR ENDED JUNE 30, 2018 AND 2017

As management of the Carson City, Nevada OPEB Trust Fund (Trust), we offer readers the following discussion and analysis as an introduction to the basic financial statements and an analytical overview of the Trust's financial activities for the fiscal year ended June 30, 2018 and 2017. This narrative is intended as a supplement and should be read in conjunction with the financial statements.

### **Financial Highlights**

Financial highlights of the Trust as of and for the year ended June 30, 2018 are as follows:

- Total RBIF Investments as of June 30, 2018 and 2017 were \$970,343 and \$714,732, respectively.
- Operating Cash balances as of June 30, 2018 and 2017 were \$105,077 and \$40,002, respectively.
- Employer Contributions comprised of \$1,021,524 to the Trust during the June 30, 2018 fiscal year and 766,841 to the Trust during the June 30, 2017 fiscal year.

### **Overview of the Financial Statements**

The Trust's financial statements include the following components:

- Statements of Fiduciary Net Position
- Statements of Changes in Fiduciary Net Position
- Notes to the Financial Statements

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

- Schedules of Changes in the City's Net OPEB Liability and Related Ratios
- Schedules of City Contributions
- Schedules of Investment Returns

The *Statements of Fiduciary Net Position* presents the Trust's assets, liabilities and net position. The assets are held in trust for beneficiary post-employment benefits. This statement measures the Trust's investments at fair value, cash and other short term assets and liabilities as of June 30, 2018 and 2017.

The *Statements of Changes in Fiduciary Net Position* presents information showing how the Trust's net position changed during the fiscal year. This statement includes additions for employer and beneficiary contributions, investment income, and deductions for payments for the benefit of beneficiaries and administrative expenses for the fiscal year ended June 30, 2018 and 2017.

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

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

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

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

**Trust Analysis**

The following table provides a summary of the Net Position of the Trust as of June 30, 2018, June 30, 2017, and June 30, 2016 (the year of inception):

	2018	Restated 2017	2016
Assets			
Cash	\$ 105,077	\$ 40,002	\$ 502,227
Receivable	56,738	1,003	201,063
Prepaid	-	8,417	-
Investments	<u>970,343</u>	<u>714,732</u>	-
Total Assets	<u>1,132,158</u>	<u>764,154</u>	<u>703,290</u>
Liabilities			
Accounts Payable	-	569	-
Unearned Revenue	2,071	2,650	1,492
Overdraft	<u>-</u>	<u>4,220</u>	-
Total Liabilities	<u>2,071</u>	<u>7,439</u>	<u>1,492</u>
Net Position Restricted for Postemployment Benefits Other Than Pensions	<u>\$1,130,087</u>	<u>\$ 756,715</u>	<u>\$ 701,798</u>

As of June 30, 2018, the Net Position of the Trust was \$1,130,087. The Net Position is comprised of assets of the Trust offset by a minor balance of unearned revenue. The Net position of the Trust improved during June 30, 2018, primarily due to Employer prefunding and investment earnings of the Retirement Benefit Investment Fund (RBIF).

CARSON CITY, NEVADA, OPEB TRUST FUND  
MANAGEMENT'S DISCUSSION & ANALYSIS  
YEAR ENDED JUNE 30, 2018 AND 2017

Trust assets as of June 30, 2018 of \$1,132,158, were comprised of investment in fair value with RBIF of \$970,343, investments at fair value of \$75,075 held in the Carson City Investment Pool as operating cash, and cash of \$30,002 held in a Bank of America account in the fund's name, and PERS withholdings receivables of \$56,738. The liabilities of the Trust as of June 30, 2018 include an unearned revenue balance of \$2,071 which includes July 2018 premium payments from retirees received in June 2018.

The following table provides a summary of the Changes in Net Position for the year ended June 30, 2018, June 30, 2017, and June 30, 2016:

	2018	Restated 2017	2016
<b>Additions</b>			
Employer Contributions	\$ 1,021,524	\$ 766,841	\$ 1,889,147
Net Investment Income	<u>66,054</u>	<u>64,804</u>	<u>215</u>
Total Additions	<u>1,087,578</u>	<u>831,645</u>	1,889,362
<b>Deductions</b>			
Benefit Payments	701,206	566,728	1,187,564
Administrative Expenses	<u>13,000</u>	<u>10,000</u>	<u>-</u>
Total Deductions	<u>714,206</u>	<u>576,728</u>	<u>1,187,564</u>
Changes in Net Position	373,372	254,917	701,798
<b>Net Position Restricted for Postemployment Benefits Other than Pensions</b>			
Beginning of the Year, as Previously reported	\$ 756,715	\$ 701,798	\$ -
Prior period adjustment	<u>-</u>	<u>(200,000)</u>	<u>-</u>
Beginning of the Year, as Restated	<u>\$ 756,715</u>	<u>\$ 501,798</u>	<u>\$ -</u>
End of Year	<u>\$ 1,130,087</u>	<u>\$ 756,715</u>	<u>\$ 701,798</u>

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

The Trust implemented Governmental Accounting Standards Board Statement No.74 as of July 1, 2016. The standard does not allow the Trust to recognize a contribution receivable, unless the funds are legally restricted. The City contributed \$200,000 to the Trust for the year ended June 30, 2017, but did not make the contribution until October 4, 2017; therefore, this contribution was not recognized until fiscal year ended June 30, 2018. For comparative

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purposes, the contribution of \$200,000 made in November 2016 which was recognized as a receivable at June 30, 2016 was removed via prior period adjustment. A partial contribution of \$120,000 was made to the Trust in June 2018 for the fiscal year ended June 30, 2018. The remaining \$80,000 contribution was made in August 2018 and will be recognized next fiscal year.

**Requests for Information**

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



CARSON CITY, NEVADA, OPEB TRUST FUND  
 STATEMENTS OF FIDUCIARY NET POSITION  
 JUNE 30, 2018 AND 2017

	2018	2017
<b>Assets:</b>		
Cash	\$ 105,077	\$ 40,002
Accounts Receivable	56,738	1,003
Prepaid Expenses	-	8,417
Investments, at fair value	970,343	714,732
Total Assets	1,132,158	764,154
<b>Liabilities:</b>		
Accounts Payable	-	569
Unearned Revenue	2,071	2,650
Overdraft	-	4,220
Total Liabilities	2,071	7,439
Net Position Restricted for Postemployment Benefits Other Than Pensions	\$ 1,130,087	\$ 756,715

CARSON CITY, NEVADA, OPEB TRUST FUND  
 STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018 AND 2017

	2018	2017
<b>Additions:</b>		
Contributions:		
Employer contributions	\$ 1,021,524	\$ 766,841
Investment Income:		
Interest	20,730	9,741
Net appreciation in fair value of investments	45,537	55,162
Total Investment Income	66,267	64,903
Less: Investment Expense	213	99
Net Investment Income	66,054	64,804
<b>Total Additions</b>	<b>1,087,578</b>	<b>831,645</b>
<b>Deductions:</b>		
Benefits	701,206	566,728
Administrative Expense	13,000	10,000
<b>Total Deductions</b>	<b>714,206</b>	<b>576,728</b>
<b>Change in Net Position</b>	<b>373,372</b>	<b>254,917</b>
 <b>Net Position Restricted for Postemployment Benefits Other Than Pensions:</b>		
Beginning of the Year, as previously reported	\$ 756,715	\$ 701,798
Prior Period Adjustment	-	(200,000)
Beginning of the year, restated	756,715	501,798
End of the year	\$ 1,130,087	\$ 756,715

CARSON CITY, NEVADA OPEB TRUST FUND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity:**

The Carson City, Nevada OPEB Trust Fund (Trust) was established by the Carson City Board of Supervisors (BOS) on June 4, 2015. The Trust, a single employer trust, was created to fund and account for Carson City's (City) costs of retiree healthcare benefits pursuant to Nevada Revised Statutes (NRS) 287.017, and is intended to qualify under Internal Revenue Code Section 115. It is governed by a three-member Board of Trustees appointed by the BOS in which at least one person who has a combination of education and experience of at least five (5) years in finance or economics; a public office or employee of the City who manages the fiscal affairs of the City; and a current beneficiary of the Trust.

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

**Basis of Accounting:**

The Trust's financial statements are prepared using the accrual basis of accounting in accordance with Governmental Accounting Standard's Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*.

**Use of Estimates in Preparing Financial Statements:**

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

**Cash and Investments:**

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

The BOS administers and is responsible for the CCIP in accordance with Nevada Revised Statutes (NRS) 355.175. The CCIP is not registered with the Security and Exchange Commission (SEC) as an investment company. Bank of New York, Mellon determines the fair value of the investment pool monthly. Each participant's share is equal to their investment plus or minus their pro-rata share of monthly interest income, realized and unrealized gains and losses.

The Nevada Legislature established the RBIF during the 2007 legislative session with an effective date of July 17, 2007. The purpose of the RBIF is to invest contributions made by participating public entities, as defined in NRS 355.220, to enable such entities to support

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financing of OPEB. Monies received by the RBIF are held for investment purposes only and not in any fiduciary capacity and managed by Bank of New York, Mellon, as instructed by the Retirement Benefit Investment Board. Each participating entity acts as fiduciary for its particular share of the RBIF. Bank of New York, Mellon determines the fair value of the investment pool monthly. The RBIF allocates earnings (which include realized and unrealized gain or loss, interest, and other income) and expenses (both administrative and investment) to each participant according to their proportional share in the RBIF. The RBIF is not registered with the SEC as an investment company.

**Actuarial Assumptions:**

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of the events in the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

**Revenues and Receivables:**

Revenues are recorded when received. Contributions receivable include only short-term amounts owed to the Trust by contributing entities and only include those due pursuant to legal requirements.

**Benefits:**

Benefits are recognized when due and payable in accordance with the terms of the insurance provider.

**Administrative Expenses:**

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

CARSON CITY, NEVADA OPEB TRUST FUND  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018 AND 2017

**NOTE 2 – BENEFIT DESCRIPTIONS AND CONTRIBUTION INFORMATION**

As of the date of the last actuarial valuation, June 30, 2017, the City had 151 inactive plan members or beneficiaries currently receiving payments and 576 active employees. For fiscal year ended June 30, 2018 the Actuary rolled forward the employee data and applied current assumptions.

**Benefit Descriptions:**

Benefit provisions for the City’s plan are established pursuant to NRS 287.023 and amended through Board resolution and contracts between the City and the various bargaining units. The City explicitly subsidizes the healthcare premiums pursuant to the City’s plan and contracts negotiated with various bargaining units. Retirees who are eligible and elect to participate receive medical, prescription, vision, dental, life and accidental death and dismemberment insurance (group health), identical to the benefits provided to active employees, for themselves and their dependents. Retirees can choose between the HMO, POS or the PPO plans. The authority to establish and amend benefit provisions is set by BOS, through a recommendation from the Insurance Committee annually. The Insurance Committee is comprised of at least one member of each of the City’s seven bargaining units, at least one retiree, the Chief Financial Officer and the Human Resources Director. Benefits for the years ended June 30, 2018 and 2017 are as follows:

	2018	2017
Total Premiums Paid for Retirees	\$1,428,338	\$1,234,417
Less: Retiree Contribution	(727,132)	(667,689)
Benefits	\$ 701,206	\$ 566,728

**Contributions:**

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

**Carson City Employee Association (CCEA) July 1, 2015 thru June 30, 2021, Sheriff’s Association – Deputies July 1, 2017 thru June 30, 2021, Sheriff’s Supervisory Association – Sergeants July 1, 2014 thru June 30, 2018, Sheriff’s Supervisory – Lieutenants/Captains July 1, 2015 thru June 30, 2019, Alternative Sentencing Officers Association July 1, 2017 thru June 30, 2021, and Juvenile Probation Officers, Marshals, and Bailiffs Employee Agreement Effective July 2, 2014** – Employees who are members of the above listed collective bargaining units and subject to employee agreements who retire under Nevada PERS, are age 47 or older, and have 20 or more years of service receive a percentage of the group health premiums for themselves and their dependents. The City pays 90% of the retiree group health premium, until age 65, then 50% of the retiree’s Medicare supplement medical premium. The City pays 50% of the dependent coverage until age 65, then 25% of the dependent’s Medicare supplement medical premium.

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

**Firefighters Association, Local 2251 July 1, 2010 to June 30, 2023, and Classified Chief Officers Association July 1, 2010 thru June 30, 2020** - Employees who are members of the above listed collective bargaining unit who retire under Nevada PERS, and have 20 or more years of service receive a percentage of the group health premiums for themselves and their dependents. The City pays 90% of the retiree group health premium, until age 65, then 50% of the retiree’s Medicare supplement medical premium. The City pays 50% of the dependent coverage until age 65, then 25% of the dependent’s Medicare supplement medical premium.

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

For the years ended June 30, 2018 and 2017, plan members (retirees) contributed \$727,132 and \$667,689, respectively. The City is required by bargaining associations and employee agreements to contribute, at a minimum, the required subsidy. The bargaining associations can only be amended through a negotiation process between the City and the bargaining units. In addition, the BOS has approved to prefund benefits, at a fraction of the actuarially determined “normal costs”. For the fiscal year ended June 30, 2018 and 2017, the City contributed \$1,021,524, (including \$320,000 to prefund benefits), and \$766,841, (including \$200,000 to prefund benefits), respectively.

**NOTE 3 – NET OPEB LIABILITY OF THE CITY**

The components of the Net OPEB Liability of the City at June 30, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Total OPEB liability	\$70,321,431	\$66,567,575
Plan fiduciary net position	<u>1,130,087</u>	<u>756,715</u>
City’s net OPEB liability	<u>\$69,191,344</u>	<u>\$65,810,860</u>
Plan fiduciary net position as a percentage of the total OPEB liability	1.6%	1.1%

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**Actuarial assumptions:** The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, updated with the following actuarial assumptions as of June 30, 2018, applied to all periods included in the measurement, unless otherwise specified:

	2018
Actuarial cost method	Entry age normal cost
Amortization method	Level percentage of payroll
Amortization period	30 years, open
Asset valuation method	Market value of assets
 Actuarial Assumptions:	
Discount Rate	3.65%
Inflation rate	2.75% per year
Projected salary increases	4.00%, average, including 3.00% wage inflation
Health cost trend rate*	6.50% initial 5.00% ultimate for 2024 and later years

\* Health cost trend rate decreases 0.50% first year, then 0.25% each year until ultimate trend rate is reached.

	2017
Actuarial cost method	Entry age normal cost
Amortization method	Level percentage of payroll
Amortization period	30 years, open
Asset valuation method	Market value of assets
 Actuarial Assumptions:	
Discount Rate	3.57%
Inflation rate	2.75% per year
Projected salary increases	4.00%, average, including 3.00% wage inflation
Health cost trend rate*	6.50% initial 5.00% ultimate for 2023 and later years

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

Mortality rates were based on the RP-2000 Combined Healthy Table (set-back 1 year for females). These rates were then adjusted to anticipate future mortality improvement by applying MacLeod Watts Scale 2017 on a generational basis from 2015 forward.

The actual assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study published by the Nevada Public Employees Retirement System, dated June 30, 2015.

The expected long-term rate of return of 7.50% and 8.00% as of June 30, 2018 and 2017, respectively, was used to determine projected benefits to be provided by Trust assets and the Fidelity Muni GO AA 20 Year Bond Index was used for other projected benefits.

Discount Rate: The discount rate used to measure the total OPEB liability was 3.65% in fiscal year 2018 and 3.57% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially

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determined contribution rates. Based on those assumptions, the OPEB 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 the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher as shown below:

	1% Decrease	Discount Rate	1% Increase
	<u>(2.65%)</u>	<u>(3.65%)</u>	<u>(4.65%)</u>
June 30, 2018			
Net OPEB liability (asset)	\$ 83,996,113	\$ 69,191,344	\$ 57,818,879
	1% Decrease	Discount Rate	1% Increase
	<u>(2.57%)</u>	<u>(3.57%)</u>	<u>(4.57%)</u>
June 30, 2017			
Net OPEB liability (asset)	\$ 79,981,510	\$ 65,810,860	\$ 54,942,832

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

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

	1% Decrease	Discount Rate	1% Increase
	<u>(5.5% decreasing to 4%)</u>	<u>(6.5% decreasing to 5%)</u>	<u>(7.5% decreasing to 6%)</u>
June 30, 2018			
Net OPEB liability (asset)	\$ 55,122,594	\$ 69,191,344	\$ 91,455,602
	1% Decrease	Discount Rate	1% Increase
	<u>(5.5% decreasing to 4%)</u>	<u>(6.5% decreasing to 5%)</u>	<u>(7.5% decreasing to 6%)</u>
June 30, 2017			
Net OPEB liability (asset)	\$ 52,930,973	\$ 65,810,860	\$ 86,145,059

**NOTE 4 – CASH AND INVESTMENTS**

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



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At year end, the Trust's carrying amount of deposits in cash was \$30,002. The Trust's participation in the CCIP, was \$75,075. As of June 30, 2017 the Trust's carrying amount of deposits in cash was \$40,002. The Trust participation in CCIP was over drafted.

The CCIP is an unrated external investment pool. CCIP is reported at fair value which is determined by the fair value per share of the CCIP underlying portfolio at June 30, 2018. All pooled investments are collateralized and held by Bank of New York, Mellon. Investments in the CCIP are classified as cash and short-term investments in the Statement of Fiduciary Net Position, because they can be withdrawn on demand in an amount equal to the original investment plus or minus monthly allocation of interest income, realized and unrealized gains and losses. Complete financial information on the Carson City Investment Pool as of June 30, 2018 can be obtained through written request, care of the Carson City Finance Department, 201 N. Carson Street, Suite 3, Carson City, NV 89701.

As of June 30, 2018 and 2017 the City's investments were as follows:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Retirement Benefits Investment Fund	\$ 970,343	\$ 714,732
Total Investments, at fair value	<u>\$ 970,343</u>	<u>\$ 714,732</u>

The RBIF is also an unrated external investment pool. The Trust's investment in the RBIF is reported at fair value, which is determined by the fair value per share of RBIF's underlying portfolio at June 30, 2018. Bank of New York, Mellon determines the fair value of the investment pool monthly. RBIF is valued at carrying value based on the net asset value of the observable market prices of the underlying assets within the RBIF. RBIF is designed to value participants' shares in RBIF according to the contributions of each entity. The RBIF allocates earnings (which include realized and unrealized gain or loss, interest, and other income) and expenses (both administrative and investment) to each participant according to their proportional share in the RBIF. Complete financial information on the RBIF as of June 30, 2018 can be obtained by contacting the Retirement Benefits Investment Board, 693 W. Nye Lane, Carson City, NV, 89703.

Investments measured at the net asset value (NAV):

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency*</u>	<u>Redemption Notice</u>
6/30/2018				
RBIF	\$ 970,343	\$ -	Monthly	None
6/30/2017				
RBIF	714,732	-	Monthly	None

RBIF: This asset class is generally comprised of a combination of US Treasuries and Stocks.

\* Monthly redemption is allowed and must be received 5 days prior to month end.

CARSON CITY, NEVADA OPEB TRUST FUND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

**NOTE 5 – ACCOUNTING CHANGES**

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

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

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

**NOTE 6 – SUBSEQUENT EVENTS**

On August 10, 2018 the City contributed an additional \$80,000 to the Trust, which was approved for the fiscal year ended June 30, 2018 to prefund benefits.

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

	2018	2017
Total OPEB liability		
Service cost	\$ 3,515,230	\$ 4,102,048
Interest	2,479,794	2,172,097
Differences between expected and actual experience	2,114	-
Changes of assumptions	(1,001,704)	(8,661,214)
Benefit payments	(1,241,578)	(1,076,308)
Net change in total OPEB liability	3,753,856	(3,463,377)
Total OPEB liability - beginning	\$ 66,567,575	\$ 70,030,952
Total OPEB liability - ending (a)	\$ 70,321,431	\$ 66,567,575
 Plan fiduciary net position		
Contributions:		
Employer	\$ 1,021,524	\$ 766,841
Net investment income	73,031	64,804
Investment experience	(6,873)	-
Benefit payments	(701,206)	(566,728)
Administrative expense	(13,104)	(10,000)
Net change in plan fiduciary net position	373,372	254,917
Plan fiduciary net position - beginning, restated	\$ 756,715	\$ 501,798
Plan fiduciary net position - ending (b)	\$ 1,130,087	\$ 756,715
 City's net OPEB liability -ending (a)-(b)	\$ 69,191,344	\$ 65,810,860
 Plan fiduciary net position as a percentage of the total OPEB liability	1.61%	1.14%
Covered payroll	\$ 39,084,686	\$ 36,664,557
City's net OPEB liability as a percentage of covered payroll	177.03%	179.49%

Notes to Schedule:

- Changes of assumptions: In Fiscal Year 2017 the City Implemented GASB 74 which required the actuary to change the discount rate being used to measure the total OPEB Liability from 3.57% in Fiscal Year 2017 to 3.65% in Fiscal Year 2018. There was a slight decrease in the expected long term rate of benefits provided from the Trust from 8.00% as of fiscal year 2017 to 7.50% in fiscal year 2018.

\* 10 year trend: GASB 74 was implement in 2017; therefore, 10 years of information is unavailable.

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

	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 3,442,671	\$ 4,913,561
Contributions in relation to the actuarially determined contribution	<u>1,021,524</u>	<u>766,841</u>
Contribution deficiency (excess)	<u>\$ 2,421,147</u>	<u>\$ 4,146,720</u>
Covered Payroll	\$ 39,084,686	\$ 36,664,557
Contributions as a percentage of covered payroll	2.61%	2.09%

Notes to Schedule:

\* 10 years of information is unavailable in 2018; but will be presented as soon as it is available.

Valuation Date:

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method:	Entry age normal cost
Amortization Method:	Level percent age of payroll
Amortization Period:	30 years, open
Asset Valuation Method:	Market value of assets
Inflation:	2.75% per year
Healthcare cost trend rates:	6.0% initial, decreasing 0.50% first year, then 0.25 per year to an ultimate rate of 5.00%
Projected Salary Increases:	4.00%, average, including 3.00% wage inflation
Discount Rate	3.65%
Retirement Age:	In the 2018 actuarial valuation, expected retirement ages of general employees were based on the most recently published report of the Nevada Public Employees Retirement System, dated June 30, 2015.
Mortality:	Based on the RP-2000 Combined Healthy Table (set-back 1 year for females). These rates were then adjusted to anticipate future mortality improvement by applying MacLeod Watts Scale 2017 on a generational basis from 2015 forward.

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

	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	6.97%	9.05%

\* 10 years of information is unavailable in 2018; but will be presented as soon as it is available.