



Financial Statements  
June 30, 2017

# Clark County, Nevada OPEB Trust Fund

Clark County, Nevada OPEB Trust Fund

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June 30, 2017

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## Independent Auditor's Report

To the Board of Trustees  
Clark County, Nevada OPEB Trust Fund  
Las Vegas, Nevada

### Report on the Financial Statements

We have audited the accompanying financial statements of the Clark County, Nevada OPEB Trust Fund (the Plan), which comprise the statement of fiduciary net position as of June 30, 2017, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, which collectively comprise the 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 Clark County, Nevada OPEB Trust Fund as of June 30, 2017, and the changes in the fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Change in Accounting Principle**

As discussed in Note 2 to the financial statements, the Plan adopted Governmental Accounting Standards Board Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. 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 the management's discussion and analysis, on pages 3 through 5, the schedule of changes in the OPEB liability and related ratios, the schedule of contributions, and the schedule of investment returns on pages 13 through 15, 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  
January 25, 2019

Clark County, Nevada OPEB Trust Fund  
Management's Discussion and Analysis  
June 30, 2017

Management offers the following discussion and analysis as a narrative introduction to the basic financial statements and an analytical overview of the Plan's financial activities for the fiscal year ended June 30, 2017. This narrative is intended as a supplement and should be read in conjunction with the financial statements.

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 Financial Statements

In addition to the 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 Net Position* presents the Plan's assets and liabilities and the net position, which are held in trust for other post-employment benefits of Clark County, Nevada. This statement reflects a year-end snapshot of the Plan's investments, at fair value, along with cash, receivables and other liabilities.

The *Statement of Changes in Fiduciary Net Position* presents information showing how the Plan's net position changed during the year. This statement includes additions for contributions by Clark County and investment earnings and deductions for payments and administrative expenses.

The *Notes to 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 reported 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 July 1, 2016, 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 benefit plans.

- Net position is restricted for future benefit payments. Net position at June 30, 2017 totaled \$95,323,035.
- Outstanding accounts payable at year-end were \$2,902. This amount represents amounts payable for audit, investment advisors and bank fees.
- Net position increased by \$10,318,630 as a result of increased net investment income.
- Employer contributions and benefit expense were \$6,015,812 for payments made on benefits.

Condensed Financial Information

Comparative summary financial statements of the Plan are presented as follows:

	Fiduciary Net Position June 30, 2017 and 2016	
	2017	2016
Assets		
Cash	\$ 60,507	\$ 92,689
Receivables	708	5,094
Investments at fair value	95,264,722	84,922,648
Total Assets	<u>95,325,937</u>	<u>85,020,431</u>
Liabilities		
Accounts payable	<u>2,902</u>	<u>16,026</u>
Net Position restricted for other postemployment benefits	<u>\$ 95,323,035</u>	<u>\$ 85,004,405</u>

Changes in Fiduciary Net Position  
Years ended June 30, 2017 and 2016

	2017	2016
Additions		
Net investment income	\$ 10,326,885	\$ 1,984,676
Employer contributions	6,015,812	-
Total additions	16,342,697	1,984,676
Deductions		
Benefit expense	\$ 6,015,812	\$ -
Administrative expense	8,255	11,911
Total deductions	6,024,067	11,911
Change in Net Position	10,318,630	1,972,765
Net Position restricted for other postemployment benefits		
Beginning of year	85,004,405	83,031,640
End of year	\$ 95,323,035	\$ 85,004,405

Analysis of Financial Position and Results of Operations

The Plan's net position was \$95,323,035 at June 30, 2017. Employer contributions of payments on benefits has a corresponding benefit payment in the amount of \$6,015,812 for the year ended June 30, 2017. Net investment income increased to \$10,326,885 as a result of fiscal 2017 being a very strong year for the investment market.

Requests for Information

Questions concerning the information provided in this report or requests for additional financial information should be addressed to Jessica L. Colvin, CFO, at 500 South Grand Central Parkway, Las Vegas, NV 89155.

Clark County, Nevada OPEB Trust Fund  
Statement of Fiduciary Net Position  
June 30, 2017

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Assets	
Cash	<u>\$ 60,507</u>
Receivables	
Interest	<u>708</u>
Investments, at fair value	<u>95,264,722</u>
Total assets	<u>95,325,937</u>
Liabilities	
Accounts payable	<u>2,902</u>
Net position restricted for other postemployment benefits	<u><u>\$ 95,323,035</u></u>



Clark County, Nevada OPEB Trust Fund  
Statement of Changes in Fiduciary Net Position  
Year Ended June 30, 2017

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Additions		
Investment income		
Net appreciation in fair value of investments	\$ 8,284,662	
Interest and dividends	2,075,274	
Less investment expense	(33,051)	
Net investment income		10,326,885
Contributions		
Employer		6,015,812
Total additions		16,342,697
Deductions		
Benefits paid	6,015,812	
Administrative expenses	8,255	
Total deductions		6,024,067
Change in Net Position		10,318,630
Net Position restricted for other postemployment benefits		
Beginning of year		85,004,405
End of year		\$ 95,323,035

**Note 1 - Organization and Nature of Activities**

Clark County, Nevada OPEB Trust Fund (the Plan) was established March 4, 2014, for the purpose of providing postemployment benefits other than pensions to all permanent full-time employees of the Clark County, Nevada (the County/Employer) enrolled in the Clark County Self-Funded Group Medical and Dental Plan. The Plan is a single-employer defined contribution benefit OPEB plan administered by the County.

The Plan’s Board of Trustees has fiduciary responsibility for the investment of monies and administration of the Plan pursuant to the Plan agreement. The Board of Trustees is currently composed of three members. The Trustees must include: a) at least one person who has a combination of education and experience of at least five years in finance or economics; b) a public office or employee of the Employer who manages the fiscal affairs of the Employer; and c) a current beneficiary of the benefit plan who has a combination of education and experience of at least five years in finance or economics. Each Trustee shall be appointed for a term of at least two years but not to exceed four years. The Employer’s governing body may renew the term of any Trustee.

At June 30, 2017, the Plan’s membership consisted of the following:

Inactive employees or beneficiaries receiving benefit payments	1,115
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	3,690
Total	4,805

**Benefits Provided**

The Plan provides medical, dental, vision, and prescription benefits to eligible retired employees and beneficiaries. The benefit provisions are established and amended through negotiations between the respective unions and the Employer.

**Contributions**

The contribution requirements of Plan members by the Employer are established and may be amended through negotiations between the various unions and the governing body of the Employer.

**Note 2 - Summary of Significant Accounting Policies**

**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 in conformity with accounting principles generally 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.

### **Investments and Investment Income**

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investment income consists of the Plan's net earnings from its participation in the State of Nevada's Retirement Benefits Investment Fund (RBIF) and the Clark County Investment Pool (County investment pool), both of which are external investment pools. The Plan's net earnings from each of the external investment pools 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 remitted by the County. In addition, contributions for benefits paid are projected based on the contribution history.

### **Payment of Benefits**

Benefits are projected base on the benefit history.

### **Administrative Expenses**

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

### **Implementation of GASB Statement No. 74**

As of July 1, 2016, 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 additional disclosures required by this standard are included in Note 4 and the required supplementary information.

## **Note 3 - Cash and Investments**

### **Deposits**

At June 30, 2017 the Plan's carrying and bank balances were \$60,507. The Plan has not adopted a formal custodial credit policy.

## 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 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).

### *RBIF*

The Plan invests its assets in 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 is \$94,988,310 at June 30, 2017, and is reported at net asset 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.

### *Clark County Investment Pool*

The Plan invests its assets in the County investment pool as allowed by NRS 287.017. The County investment pool was established by the Clark County Board of Commissioners pursuant to NRS 355.168 and is administered as an unrated external investment pool. Investments in the County investment pool include only those investments allowed under NRS 355.170. The Clark County Treasurer, under authority of the Clark County Board of Commissioners, is the primary investment official for the County. The County investment pool is not registered with the SEC as an investment company. All investments within the County investment pool are stated at 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. The Plan's investment in the County investment pool is \$276,412 at June 30, 2017 and is reported at net asset value, which is based on the observable market prices of the underlying assets held by the pool, less liabilities.

For the year ended June 30, 2017, the annual money-weighted rate of return on investments net of investment expense, was 11.76%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Note 4 - Net OPEB Liability of the Plan**

The components of the net OPEB liability of the Plan at June 30, 2017, were as follows:

Total OPEB liability	\$ 518,534,664
Plan fiduciary net position	<u>95,323,035</u>
Net OPEB liability	<u><u>\$ 423,211,629</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	18.38%

**Actuarial Assumptions**

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

Additional information as of the latest actuarial valuation is as follows:

Inflation	2.75%	
Discount Rate	3.60%	
Investment rate of return	4.00%	
Salary Increases	4.25% - 13.90% based on years of service, including inflation	
Healthcare cost trend rates	4.00% - 12.00% initial 4.00% - 4.50% ultimate for 2029 and later years	
Mortality Rates:		
Healthy	RP-2000 Combined Healthy Mortality Table, projected to 2013 with Scale AA, set back one year for females (no age set forward for males).	
Disabled	RP-2000 Disabled Retiree Mortality Table, projected to 2013 with Scale AA, set forward three years. The RP-2000 Combined Healthy Mortality Table, set back one year for females (no age setback for males), reasonably reflects the projection of 13 years is a provision made for future mortality improvement.	

The demographic assumptions are based on the Public Employees' Retirement System of Nevada (NV PERS) Actuarial Experience Study for the period from July 1, 2006 through June 30, 2012. Salary scale and inflation assumptions are based on the NV PERS Actuarial Experience Study for the period from July 1, 2012 through June 30, 2016.

Discount rate: The discount rates used to measure the total OPEB liability was 3.60%. The projection of cash flows used to determine the discount rate assumed employer and plan member contributions will be made at the current contribution rate. Only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, the OPEB Plan's assets were projected to be sufficient to make projected future benefit payments for current plan members through June 30, 2027. Payments after that date would be funded by Employer assets. Therefore, the long-term expected rate of return on OPEB Plan investments (4.00%) was applied to periods of projected benefit payments through June 30, 2027, and the 20-year municipal bond rate (3.58%) was applied to periods after June 30, 2027 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 Plan, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.60%) or 1-percentage-point higher (4.60%) than the current discount rate:

	1% Decrease (2.60%)	Discount Rate (3.60%)	1% Increase (4.60%)
Net OPEB Liability	\$ 529,591,420	\$ 423,211,629	\$ 339,660,817

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

The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3.00% - 11.00% decreasing to 3.00% - 3.50%) or 1-percentage-point higher (5.00% - 13.00% decreasing to 5.00% - 5.50%) than the current healthcare cost trend rates:

	1% Decrease 3.00% - 11.00% decreasing to 3.00% - 3.50%	Healthcare Cost Trend Rates 4.00% - 12.00% decreasing to 4.00% - 4.50%	1% Increase 5.00% - 13.00% decreasing to 5.00% - 5.50%
Net OPEB Liability	\$ 289,119,825	\$ 423,211,629	\$ 611,122,172

Clark County, Nevada OPEB Trust Fund  
Schedule of Changes in Net OPEB Liability and Related Ratios  
June 30, 2017

Total OPEB Liability	
Service cost	\$ 32,809,016
Interest cost	16,699,338
Differences between expected and actual experience	(666,758)
Changes in assumptions	(73,345,189)
Benefit payments	<u>(6,015,812)</u>
Net change in Total OPEB liability	(30,519,405)
Total OPEB Liability - beginning	<u>549,054,069</u>
Total OPEB Liability - ending (a)	<u><u>\$ 518,534,664</u></u>
Plan Fiduciary Net Position	
Contributions - employer	\$ 6,015,812
Net investment income	10,326,885
Benefit payments	(6,015,812)
Administrative expense	<u>(8,255)</u>
Net change in plan fiduciary net position	10,318,630
Plan Fiduciary Net Position - beginning	<u>85,004,405</u>
Plan Fiduciary Net Position - ending (b)	<u><u>\$ 95,323,035</u></u>
Clark County's Net OPEB Liability - ending (a) - (b)	<u>\$ 423,211,629</u>
Plan fiduciary net position as a percentage of the total OPEB liability	18.38%
Covered-employee payroll	\$ 269,748,256
Clark County's Net OPEB liability as a percentage of covered-employee payroll	156.89%

\* GASB No. 74 requires 10 years of information to be presented in this table. However, until 10 years of data is compiled, the Plan will present information only for those years for which information is available.

Clark County, Nevada OPEB Trust Fund  
Schedule of Contributions  
June 30, 2017

Actuarially determined contribution	\$ 38,093,060
Contributions in relation to the actuarially determined contribution	<u>6,015,812</u>
Contribution (excess)	\$ 32,077,248
Covered-employee payroll	\$ 269,748,256
Contributions as a percentage of covered-employee payroll	2.23%

\* GASB No. 74 requires 10 years of information to be presented in this table. However, until 10 years of data is compiled, the Plan will present information only for those years for which information is available.

**Notes to Schedule**

Actuarial cost method	Entry age, normal cost
Amortization method	Level dollar
Remaining Amortization period	30 years, open
Asset valuation method	Market value
Inflation	N/A; unfunded actuarial accrued liability amortized as a level dollar amount.
Discount Rate	3.60%
Investment rate of return	4.00%
Salary Increases	N/A; unfunded actuarial accrued liability amortized as a level dollar amount.
Healthcare cost trend rates	4.00% - 12.00% initial 4.00% - 4.50% ultimate for 2029 and later years
Mortality Rates:	
Healthy	RP-2000 Combined Healthy Mortality Table, projected to 2013 with Scale AA, set back one year for females (no age set forward for males).
Disabled	RP-2000 Disabled Retiree Mortality Table, projected to 2013 with Scale AA, set forward three years. The RP-2000 Combined Healthy Mortality Table, set back one year for females (no age setback for males), reasonably reflects the projection of 13 years is a provision made for future mortality improvement.



Clark County, Nevada OPEB Trust Fund  
Schedule of Investment Returns  
June 30, 2017

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Annual money-weighted rate of return, net of investment expense	11.76%
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\* GASB No. 74 requires 10 years of information to be presented in this table. However, until 10 years of data is compiled, the Plan will present information only for those years for which information is available.