



Financial Statements  
June 30, 2018

# Clark County, Nevada OPEB Trust Fund

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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, 2018, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2018, 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.

**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  
November 19, 2019

Clark County, Nevada OPEB Trust Fund  
Management's Discussion and Analysis  
June 30, 2018

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, 2018. 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 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

- Net position is restricted for future benefit payments. Net position at June 30, 2018 totaled \$103,221,698.
- Outstanding accounts payable at year-end were \$3,237. This amount represents amounts payable for audit, investment advisors and bank fees.
- Net position increased by \$7,898,663 as a result of increased net investment income.
- Employer contributions and benefit expense were \$4,429,896 for payments made on benefits.

Condensed Financial Information

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

	Fiduciary Net Position June 30, 2018 and 2017		
	2018	2017	Variance
Assets			
Cash	\$ 48,361	\$ 60,507	\$ (12,146)
Receivables	906	708	198
Investments at fair value	<u>103,175,668</u>	<u>95,264,722</u>	<u>7,910,946</u>
Total assets	103,224,935	95,325,937	7,898,998
Liabilities			
Accounts payable	<u>3,237</u>	<u>2,902</u>	<u>335</u>
Net position restricted for postemployment benefits other than pension	<u>\$ 103,221,698</u>	<u>\$ 95,323,035</u>	<u>\$ 7,898,663</u>

Changes in Fiduciary Net Position  
Years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>	<u>Variance</u>
<b>Additions</b>			
Net investment income	\$ 7,898,986	\$ 10,326,885	\$ (2,427,899)
Employer contributions	<u>4,429,896</u>	<u>6,015,812</u>	<u>(1,585,916)</u>
Total additions	<u>12,328,882</u>	<u>16,342,697</u>	<u>(4,013,815)</u>
<b>Deductions</b>			
Benefit expense	4,429,896	6,015,812	1,585,916
Administrative expense	<u>323</u>	<u>8,255</u>	<u>7,932</u>
Total deductions	<u>4,430,219</u>	<u>6,024,067</u>	<u>1,593,848</u>
Change in Net Position	7,898,663	10,318,630	(2,419,967)
<b>Net position restricted for postemployment benefits other than pension</b>			
Beginning of year	<u>95,323,035</u>	<u>85,004,405</u>	<u>10,318,630</u>
End of year	<u>\$ 103,221,698</u>	<u>\$ 95,323,035</u>	<u>\$ 7,898,663</u>

Analysis of Financial Position and Results of Operations

The Plan's net position was \$103,221,698 at June 30, 2018. Employer contributions of payments on benefits has a corresponding benefit payment in the amount of \$4,429,896 for the year ended June 30, 2018. Net investment income decreased to \$7,898,986 as a result of lower returns from the investment portfolio.

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, 2018

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Assets

Cash	\$ 48,361
Interest receivable	906
Investments, at fair value	<u>103,175,668</u>
Total assets	<u>103,224,935</u>

Liabilities

Accounts payable	<u>3,237</u>
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Net position restricted for postemployment benefits other than pension	<u><u>\$ 103,221,698</u></u>
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Clark County, Nevada OPEB Trust Fund  
Statement of Changes in Fiduciary Net Position  
Year Ended June 30, 2018

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Additions	
Employer contributions	<u>\$ 4,429,896</u>
Investment income	
Net increase in fair value of investments	5,647,605
Interest and dividends	2,287,432
Less investment expense	<u>(36,051)</u>
Net investment income	<u>7,898,986</u>
Total additions	<u>12,328,882</u>
Deductions	
Benefit payments	4,429,896
Administrative expenses	<u>323</u>
Total deductions	<u>4,430,219</u>
Net Increase in Net Position	7,898,663
Net position restricted for postemployment benefits other than pensions	
Beginning of year	<u>95,323,035</u>
End of year	<u><u>\$ 103,221,698</u></u>

**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 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, 2018, the Plan's membership consisted of the following:

Inactive employees or beneficiaries receiving benefit payments	1,138
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>3,920</u>
Total	<u><u>5,058</u></u>

**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.

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

### **Deposits**

At June 30, 2018, the Plan's carrying and bank balances were \$48,361. All of the bank balance was covered by the Federal Deposit Insurance Company.

## 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 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 the RBIF. Bank of New York, Mellon determines the fair value of the RBIF monthly. The Plan's investment in the RBIF is \$102,898,085 at June 30, 2018, and is reported at net asset value (NAV), which is based on the observable market prices of the underlying assets held by the pool, less liabilities. Complete financial information on the RBIF as of June 30, 2018 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 \$277,583 at June 30, 2018 and is reported at NAV, which is based on the observable market prices of the underlying assets held by the pool, less liabilities.

Investments measured at NAV as of June 30, 2018:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice</u>
RBIF	\$ 102,898,085	\$ -	Monthly	None
County Investment Pool	<u>277,583</u>	<u>-</u>	Monthly	None
	<u>\$ 103,175,668</u>	<u>\$ -</u>		

RBIF: The asset class is generally comprised of a combination of fixed income, marketable equity, and international securities.

County Investment Pool: The asset class is generally comprised of debt securities.

For the year ended June 30, 2018, the annual money-weighted rate of return on investments net of investment expense, was 8.30%. 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 County at June 30, 2018, were as follows:

Total OPEB liability	\$ 216,899,477
Plan fiduciary net position	<u>103,221,698</u>
County's net OPEB liability	<u>\$ 113,677,779</u>
Plan fiduciary net position as a percentage of the total OPEB liability	47.59%

#### Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, 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	2.00%
Discount rate	4.79%
Investment rate of return	7.50%
Salary increases	3.00%
Healthcare cost trend rates	7.00% initial 4.50% ultimate
Mortality rates	RP-2014 generational table, back-projected to 2006, then scaled using MP-2018, applied on a gender-specific basis

The termination rates and retirement assumptions are based on the 2018 Nevada Public Employees' Retirement System of Nevada (NV PERS) Actuarial valuation results.

Discount rate: The discount rates used to measure the total OPEB liability was 4.79%. This is based on the blending of the long-term expected return on assets of the Plan and the municipal bond rate as of June 30, 2018.

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 2044. Payments after that date would be funded by Employer assets. Therefore, the long-term expected rate of return on Plan investments (7.50%) was applied to periods of projected benefit payments through 2044.

#### 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 (3.79%) or 1-percentage-point higher (5.79%) than the current discount rate:

	<u>1% Decrease (3.79%)*</u>	<u>Discount Rate (4.79%)*</u>	<u>1% Increase (5.79%)*</u>
Net OPEB Liability	\$ 158,086,000	\$ 113,677,779	\$ 79,122,000

\*Amounts presented are rounded to the nearest thousandth.

#### 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 or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease Healthcare Costs Trend Rates*</u>	<u>Current Healthcare Costs Trend Rates*</u>	<u>1% Increase Healthcare Costs Trend Rates*</u>
Net OPEB Liability	\$ 75,128,000	\$ 113,677,779	\$ 164,758,000

\*Amounts presented are rounded to the nearest thousandth.



Required Supplementary Information

# Clark County, Nevada OPEB Trust Fund

Clark County, Nevada OPEB Trust Fund  
Schedule of Changes in Net OPEB Liability and Related Ratios  
Last Ten Fiscal Years\*

	2018	2017
Total OPEB Liability		
Service cost	\$ 31,047,509	\$ 32,809,016
Interest cost	19,384,192	16,699,338
Differences between expected and actual experience	(247,343,325)	(666,758)
Changes in assumptions	(100,293,667)	(73,345,189)
Benefit payments	(4,429,896)	(6,015,812)
Net change in Total OPEB liability	(301,635,187)	(30,519,405)
Total OPEB Liability - beginning	518,534,664	549,054,069
Total OPEB Liability - ending (a)	\$ 216,899,477	\$ 518,534,664
Plan Fiduciary Net Position		
Contributions - employer	\$ 4,429,896	\$ 6,015,812
Net investment income	7,898,986	10,326,885
Benefit payments	(4,429,896)	(6,015,812)
Administrative expense	(323)	(8,255)
Net change in plan fiduciary net position	7,898,663	10,318,630
Plan Fiduciary Net Position - beginning	95,323,035	85,004,405
Plan Fiduciary Net Position - ending (b)	\$ 103,221,698	\$ 95,323,035
Clark County's Net OPEB Liability - ending (a) - (b)	\$ 113,677,779	\$ 423,211,629
Plan fiduciary net position as a percentage of the total OPEB liability	47.59%	18.38%
Covered-employee payroll	N/A	N/A
Clark County's Net OPEB liability as a percentage of covered-employee payroll	N/A	N/A

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

**Notes to Schedule**

Changes of key assumption since the prior valuation were: the discount rate was updated based on the blending of the long-term expected return on assets of the Plan and the municipal bond rate as of June 30, 2018; the marriage assumption was updated to reflect the most recent participant experience; the aging factors were updated to be based on the 2013 Society of Actuaries study; the termination rates and retirement rates were updated based on the 2018 Nevada PERS Actuarial Valuation results; the mortality table was updated from RP-2000 projected to year 2013 using Scale AA to RP-2014 with generational projection scale MP-2018; and the salary scale assumption was updated to 3.00%.



Clark County, Nevada OPEB Trust Fund  
Schedule of Contributions  
Last Ten Fiscal Years\*

	2018	2017
Actuarially determined contribution	\$ 39,721,171	\$ 38,093,060
Contributions in relation to the actuarially determined contribution	4,429,896	6,015,812
Contribution (excess)	\$ 35,291,275	\$ 32,077,248
Covered-employee payroll	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	N/A

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

**Notes to Schedule**

Valuation date	June 30, 2018
Actuarial cost method	Entry age, normal cost
Amortization method	Level dollar
Remaining Amortization period	20 years, open
Asset valuation method	Market value
Inflation	2.00%
Discount rate	4.79%
Investment rate of return	7.50%
Salary increases	3.00%
Healthcare cost trend rates	7.00% initial 4.50% ultimate
Mortality rates	RP-2014 generational table, back-projected to 2006, then scaled using MP-2018, applied on a gender-specific basis

Clark County, Nevada OPEB Trust Fund  
Schedule of Investment Returns  
Last Ten Fiscal Years\*

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	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	8.30%	11.76%

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