Grant Thornton

Financial Statements and Report of Independent Certified Public Accountants

Tahoe Douglas Fire Protection District Post-Retirement Plan and Trust

December 31, 2014 and 2013

Contents

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Report of Independent Certified Public Accountants

To the Board of Trustees
Tahoe Douglas Fire Protection District Post-Retirement Plan and Trust

Report on the financial statements

We have audited the accompanying statement of plan net position of the Tahoe Douglas Fire Protection District Post-Retirement Plan and Trust (the "Trust"), as of December 31, 2014 and 2013 and the related statement of changes in plan net position for the years ended December 31, 2014 and 2013, 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 Trust'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 Trust'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 respective financial position of the Tahoe Douglas Fire Protection District Post-Retirement Plan and Trust as of December 31, 2014 and 2013, and the change in financial position for the years ended December 31, 2014 and 2013, 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 schedule of funding progress and schedule of employer contributions on pages 14 and 15 be presented to supplement the basic financial statements. Such information, although not a required 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. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures 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 financials 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.

Management has elected to omit the management's discussion and analysis ("MD&A"), which accounting principles generally accepted in the United States of America ("U.S. GAAP") require to supplement the basic financial statements. Such omitted information, although not a required 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. Accordingly, our opinion on the basic financial statements is not affected by this omitted information.

Grant Thornton LLP

Reno, Nevada
October 6, 2015

Tahoe Douglas Fire Protection District Post-Retirement Plan and Trust

STATEMENT OF PLAN NET POSITION

December 31,

	2014	2013
ASSETS		
Cash and cash equivalents	$ 7,635	$ 17,257
Investments	6,637,099	5,239,177
Total assets	6,644,734	5,256,434
LIABILITIES	-	-
Total liabilities	-	-
Net position held in trust for post-employment benefits	$ 6,644,734	$ 5,256,434

The accompanying notes are an integral part of this statement.

Tahoe Douglas Fire Protection District Post-Retirement Plan and Trust

STATEMENT OF CHANGES IN PLAN NET POSITION

Years ended December 31,

	2014	2013
Additions:		
Contributions		
Employer	$ 1,523,254	$ 2,481,180
Total contributions	1,523,254	2,481,180
Investment income		
Investment income	397,921	615,462
Interest	3	4
Total investment income	397,924	615,466
Net additions	1,921,178	3,096,646
Deductions:		
Other post-employment benefits	523,254	481,180
Administrative expenses	9,624	7,500
Total deductions	532,878	488,680
INCREASE IN NET POSITION	1,388,300	2,607,966
Net position held in trust for post-employment benefits:		
Beginning position	5,256,434	2,648,468
End of year	$ 6,644,734	$ 5,256,434

The accompanying notes are an integral part of this statement.

NOTE A – ORGANIZATION

The Tahoe Douglas Fire Protection District Post-Retirement Plan and Trust (Trust) was created under the general laws of Nevada. The Trust was created for the sole purpose of receiving irrevocable contributions to provide post-retirement health insurance benefits to retirees of the Tahoe Douglas Fire Protection District (District) in accordance with the terms of the Trust. Trust assets are legally protected from creditors of the District.

The Trust is administered by a five-member board to provide healthcare benefits to retired District employees and their beneficiaries. The members of the board were initially appointed by the District for a term of two years and are newly appointed or reappointed every two years.

The resolution to establish the Trust was signed in March 2011 which authorized transfers to begin upon obtaining a determination letter from the Internal Revenue Service. Transactions have been recorded on the books of the Trust as of December 20, 2011, the date of the determination letter.

The Trust accumulates resources to pay future health insurance benefits of District retirees. Eligible employees who retire from the District are eligible to continue their coverage under the self-insured health plans offered by the District to its active employees (District Plan) or, if they retired prior to September 1, 2008, could elect to participate in the State of Nevada Public Employees' Benefit Plan (PEBP).

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting

The Trust's financial statements are prepared using the accrual basis of accounting for governmental organizations. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

2. Method Used to Value Investments

Plan investments are reported at fair value. Quoted market prices, when available, have been used to value investments. Investment purchases and sales are recorded on a trade-date basis.

Given the inherent nature of investments it is reasonably possible that changes in the value of those investments will occur in the near team and that such changes could materially affect the amounts reported in the statements of plan net assets.

3. Contributions

The District contributed at more than the actuarially determined rate which resulted in a contribution of $1,523,254 and $2,481,180 which approximated 42% and 76%, respectively, of covered payroll and 240% and 357%, respectively, of the required contribution for the years ended December 31, 2014 and 2013. The District continues to contribute at more than the actuarially determined rate.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. Other Post-employment Benefit Payments

Health insurance premiums attributed to retired District employees that are paid by the District are included in other post-employment benefits in the Trust's Statement of Changes in Plan Net Position. There is a corresponding amount recorded in employer contributions for these amounts.

5. Administrative Support

The District pays substantially all of the Trust's investment, accounting, and legal expenses except for certain legal and accounting fees.

6. Federal Tax Status

The Trust is exempt from Federal income taxes under the Internal Revenue Code.

7. Use of Estimates

Management of the Trust has made a number of estimates and assumptions relating to the reporting of assets and liabilities and in the disclosure of contingencies to prepare these financial statements in conformity with U.S. generally accepted accounting principles. Actual results could differ from those estimates.

NOTE C – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION

1. Plan Description

District Plan - The District administers a single-employer defined benefit healthcare plan. The District Plan provides lifetime healthcare insurance for eligible retirees and spouses through the District's health insurance plan, which covers both active and retired employees. The Plan does not issue a publicly-available financial report. As of the January 1, 2015 actuarial report, there were 40 retirees participating in the District Plan.

PEBP - PEBP is an agent multiple-employer post-employment healthcare plan that is self-insured for medical, dental, vision, mental health and substance abuse benefits and also fully insured HMO products. Accidental death and dismemberment, travel accident, long-term disability and life insurance benefits are fully insured by outside carriers. For the self-insured benefits, rate setting policies have been established after consultation with an actuary. The participating public employers, with the exception of the State, are not subject to supplemental assessment in the event of deficiencies. Complete financial statements for the State Retirees' Health and Welfare Benefits Fund can be obtained from the Accounting Department at the Public Employees Benefit Program, 901 South Stewart Street, Carson City, Nevada, 89701. As of the January 1, 2015 actuarial report, there were five retirees participating in the PEBP Plan.

NOTE C – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION - Continued

2. Funding Policy

The employer contribution, or funding, of the District's other post-employment benefit obligation (OPEB) is at the discretion of management and the District's Board of Trustees. For the years ended December 31, 2014 and 2013, the majority of the assets funded were deposited into the Retirement Benefits Investment Fund (RBIF) sponsored through the State of Nevada. The RBIF portfolio is designed to generate an 8% annual return over long-term time frames.

District Plan - The contribution requirements of plan members and the District are established and may be amended by the District's Board of Trustees. For the years ended December 31, 2014 and 2013, the required contributions are based on projected prefunded financing requirements. Retirees who elect to continue their medical coverage under the District Plan may be eligible for a District-paid benefit depending on their years of service up to 100% of the premiums for the retiree and their spouse.

PEBP - Those retirees who were eligible and elected PEBP coverage are entitled to a subsidy toward their premium cost based on their years of covered employment under Nevada PERS.

<u>Benefits for PEBP retirees</u>: The subsidy that retirees are entitled to is borne on a pro-rata basis by the employers for which the retiree has worked and earned PERS service credit. Thus, the District is obligated to subsidize health care premiums for former employees as well as those who retired directly from the District.

<u>Access to District plan coverage and benefits paid</u>: Retirees and their spouses under age 65 may elect to continue their medical, dental, vision coverage under the programs made available to the District's active employees. The District currently contributes toward the cost of retiree healthcare coverage as follows:

- Employees hired prior to June 1, 2003 retiring from the District after June 30, 1999 at age 50 or older with at least 15 years of service who elect to remain in the District's plans receive a percentage of the employee and spouse premium paid by the District for their lifetimes. The percentage is based on the following service schedule:

Years of District Service	% of Employee Premium Paid	% of Spouse Premium Paid
Less than 15	0%	0%
15	50%	50%
16	60%	60%
17	70%	70%
18	80%	80%
19	90%	90%
20 or more	100%	100%

NOTE C – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION - Continued

2. **Funding Policy** - Continued

- Employees hired on or after June 1, 2003 and retiring from the District at age 55 or older with at least 20 years of service who elect to remain in the District's plans receive a percentage of the employee and spouse premium paid by the District until they become eligible for Medicare benefits after which the District contribution ceases. The percentage is based on the following service schedule:

Years of District Service	% of Employee Premium Paid	% of Spouse Premium Paid
Less than 20	0%	0%
20	100%	0%
21	100%	20%
22	100%	40%
23	100%	60%
24	100%	80%
25 or more	100%	100%

- If an employee completes the minimum service requirement (as determined based on his or her employment date), but terminates employment with the District prior to reaching the minimum required age, the employee may still remain qualified for future post-employment healthcare benefits from the District. If, after leaving District employment, the employee retains District coverage and pays the entire premium; once the employee reaches the minimum required benefit age, the District will provide the post-employment healthcare benefits to which the employee would have been entitled had he or she terminated employment after meeting the minimum age requirement.

- Retirees are no longer permitted to remain on the District's plans after age 65.
  - Upon eligibility for Medicare, the District's monthly allowance toward health insurance for a retired employee is equal to $225 multiplied by his or her vested percentage. Similarly, eligible spouses receive a monthly health insurance allowance equal to $225 multiplied by their applicable vested percentage.
  - The District will also pay the same vested percentage of Medicare Part A premiums for retired employees and their spouses who are not Part A Medicare premium qualified.

NOTE C – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION - Continued

2. Funding Policy - Continued

The funded status of the Plan as of the most recent actuarial valuation (January 1, 2015) was as follows:

	PEBP	District	Total
Actuarial accrued liability (AAL) (a)	$ 110,561	$ 11,118,816	$ 11,229,377
Actuarial value of Plan assets (b)	41,920	6,604,414	6,646,334
Unfunded actuarial accrued liability (UAAL) (a)-(b)	$ 68,641	$ 4,514,402	$ 4,583,043
Funded ratio (actuarial value of Plan assets/AAL) (b)/(a)	38%	59%	59%
Covered payroll (c)	N/A	$ 3,933,282	$ 3,933,282
UAAL as a percentage of covered payroll [(a)-(b)]	N/A	115%	117%

Actuarial valuations 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, and healthcare cost trends. Actuarially determined amounts regarding the funded status of the Plan and the annual required contributions of the employer 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 following the notes to the financial statements, provides current year information and will provide multi-year trend information, when available, that shows whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The accompanying schedules of employer contributions present trend information about the amounts contributed to the plan by employers in comparison to the Annual Required Contribution (ARC), an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

1. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer 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 the employer and plan member 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.

The most recent actuarial valuation of OPEB liabilities was dated January 1, 2015 and is based on a closed group of members. Current employees and retirees only are considered; no provision is made for future hires. Using the actuarial assumptions, the number of retired participants is projected each year in the future. The valuation was prepared using the entry age normal cost method with normal cost determined on a level percent of pay basis. Amortization of the unfunded PEBP liability is calculated with level dollar payments; amortization of the unfunded District Plan liability is calculated with payments calculated as a

NOTE C – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION - Continued

1. <u>Actuarial Methods and Assumptions</u> - Continued

level percentage of projected payroll and increasing by 3% per year, reflecting the general inflation rate assumed. The amortization period for PEBP and the District Plan is over the remainder of the closed 30-year period established on July 1, 2009. Healthcare cost trend rates used for medical were 7.75% initially, reduced by decrements to an ultimate rate of 5%, and dental/vision rates used were 4.5% annually.

NOTE D – RELATED PARTY TRANSACTIONS

During the years ended December 31, 2014 and 2013, accounting fees of $1,600 and $2,450, respectively, were paid to a Trustee of the Trust for accounting and tax services during the year.

NOTE E – INVESTMENT

The District invests in the Retirement Benefits Investment Fund ("RBIF"). The RBIF was established per NRS 355.220 and is administered by the Retirement Benefits Investment Board (RBIB). An annual financial report, which includes the independent auditor's opinion, is presented to and accepted by RBIB. RBIF is not registered with the Securities and Exchange Commission (SEC) as an investment company, nor is it so required, as it is a public fund.

The Trust does not have a formal policy for credit risk, custodial credit risk, concentration risk and interest rate risk, as it has decided to invest money in the RBIF, which has policies and procedures to address these risks. The RBIF is not rated.

The RBIB serves as the administrator of the Fund. RBIF's assets are managed in accordance with RBIF's investment objectives and policies. In general, the authorized investments include: fixed income, both U.S. and non-U.S.; domestic and international equity; money market funds; and cash equivalents (other short-term investments). Investments are reported at fair value.

RBIF is designed to value participants' shares in the Fund according to the contributions of each entity. Specifically, on a pro-rata basis for each entity's participation, RBIF allocates earnings (which include realized and unrealized gain or loss, interest, and other income) and expenses (both administrative and investment) to each entity according to their proportional share in the Fund.

REQUIRED SUPPLEMENTARY INFORMATION

Tahoe Douglas Fire Protection District Post-Retirement Plan and Trust

SCHEDULE OF FUNDING PROGRESS

December 31, 2014 and 2013

Actuarial Valuation Date	(a) **Actuarial Value of Assets**	(b) **Actuarial Accrued Liability (AAL)**	(c) **Unfunded AAL (UAAL)**	(a/b) **Funded Ratio**	(c) **Covered Payroll**	([b-a]/c) **UAAL as a Percentage of Covered Payroll**
District Plan						
01/01/2015	6,604,414	11,118,816	4,514,402	59.40%	3,933,282	115%
01/01/2012	-	10,259,778	10,259,778	0.00%	3,138,529	327%
01/01/2011	-	21,911,603	21,911,603	0.00%	4,130,208	531%
PEBP						
01/01/2015	41,920	110,561	68,641	37.92%	N/A	N/A
01/01/2012	-	132,987	132,987	0.00%	N/A	N/A
01/01/2011	-	520,319	520,319	0.00%	N/A	N/A

Tahoe Douglas Fire Protection District Post-Retirement Plan and Trust

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Years ended December 31, 2014 and 2013

	District Plan		PEBP	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
For the years ended December 31,				
2014	$ 626,614	242%	$ 8,009	100%
2013	$ 685,089	361%	$ 9,816	100%