Financial Statements
December 31, 2015 and 2014

Tahoe Douglas Fire Protection District Post-Retirement Plan & Trust

Independent Auditor's Report

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

Report on the Financial Statements
We have audited the accompanying financial statements of the Tahoe Douglas Fire Protection District Post-Retirement Plan and Trust (the "Trust") which comprise the statement of plan net position as of December 31, 2015, and the related statement of changes in plan 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 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 plan net position of the Tahoe Douglas Fire Protection District Post-Retirement Plan and Trust as of December 31, 2015, and changes in its net position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

<u>Other Matters</u>

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the schedule of funding progress and the schedule of contributions from employer on pages 12 and 13 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.

Management has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by the missing information.

2014 Financial Statements
The financial statements of Tahoe Douglas Fire Protection District Post-Retirement Plan and Trust as of December 31, 2014, and the changes in its net position for the year then ended, were audited by other auditors, whose report dated October 6, 2015, expressed an unmodified opinion on those statements.

Eide Bailly LLP

Reno, Nevada
January 31, 2017

	2015	2014
Assets		
Cash	$ 12,560	$ 7,635
Investments	7,017,203	6,637,099
Total assets	7,029,763	6,644,734
Liabilities		
Total liabilities	-	-
Net position restricted for other postemployment benefits	$ 7,029,763	$ 6,644,734

	2015	2014
Additions		
Investment Income		
Net appreciation in fair value of investments	$ 49,162	$ 399,780
Less investment expense	1,225	1,856
Net investment income	47,937	397,924
Contributions		
Employer	902,579	1,523,254
Plan members	34,494	-
Total contributions	937,073	1,523,254
Total additions	985,010	1,921,178
Deductions		
Benefits paid	586,770	523,254
Administrative expenses	13,211	9,624
Total deductions	599,981	532,878
Change in Net Position	385,029	1,388,300
Net position restricted for other postemployment benefits		
Beginning of year	6,644,734	5,256,434
End of year	$ 7,029,763	$ 6,644,734

Note 1 - Reporting Entity

The Tahoe Douglas Fire Protection District Post-Retirement Plan and Trust (Trust) was created under the general laws of Nevada and established as a voluntary employee benefit association (VEBA) pursuant to Internal Revenue Service (IRS) Code 501(c) 9. Tax exempt status was granted by the IRS on December 20, 2011. 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 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 insured health plan offered by the District to its active employees (the Plan).

The Trust's financial reporting period ends December 31 while the District's financial reporting period ends June 30.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The Trust's financial statements are prepared using the accrual basis of accounting in accordance with Governmental Accounting Standards Board (GASB) Statements 43, *Financial Reporting for Postemployment Benefit Plans other Than Pension Plans*. Employer and retiree contributions are recognized in the period when the contributions are due. Contributions are due when the District has made a formal commitment to provide the contributions and when the retiree plan members are obligated to make their participating contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Administrative expenses are recorded when incurred and payable by the Trust.

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 purchases and sales are recorded on a trade date basis.

Other Post-Employment Benefit Payments

The amounts reflected in the Trust's Statement of Changes in Plan Net Position as benefits paid are the health insurance premiums, health savings account (HSA) and health reimbursement arrangement (HRA) amounts attributed to retired District employees that are paid directly by the District. In addition, benefits paid also include the portion of the District Plan health insurance premiums paid directly by the retiree. There is a corresponding amount recorded in employer contributions and retiree contributions for these amounts. For the years ended December 31, 2015 and 2014 benefits paid were comprised of:

	2015	2014
Amounts paid by the District	$ 552,276	$ 523,254
Amounts paid by the retiree	34,494	-
	$ 586,770	$ 523,254

Reclassifications

Certain amounts in the prior year statements have been reclassified for comparison purposes to conform to current year presentation.

Note 3 - Plan Description and Contribution Information

Plan Description

The District administers a single-employer defined benefit healthcare plan. The 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.

Retiree Healthcare Plan Options

District retirees who elect to continue their health coverage may be eligible for District paid benefits depending on their years of service, up to 100% of the health insurance premiums for the retiree and their spouse.

The Plan provides retiree participants under age 65 with a HSA. The District makes a contribution to the retiree's HSA and the retiree can also elect to make additional contributions to their account subject to IRS limits. The contributions made to the HSA can be used on a tax-free basis to pay or reimburse for qualifying health care expenses. A HSA is established and owned by the individual retiree participant.

Upon attainment of age 65 and eligibility for Medicare, District retirees are no longer eligible for the Plan health insurance and HSA offered to its active employees and retirees under age 65, but rather continue participation through a health reimbursement arrangement (HRA) that is funded solely through District contributions. The HRAs allow eligible retirees to be reimbursed tax free for qualified medical expenses subject to a specified ceiling. Amounts remaining at the end of the year can generally be carried over to the next year. The District is not permitted to refund any part of the balance to the retirees; the account cannot be used for anything other than reimbursements of qualified medical expenses; and the remaining amounts revert back to the District when the retiree becomes deceased.

Membership of the Plan

Membership of the Plan consisted of the following as of the date of the latest actuarial valuation:

	January 1, 2015
Retirees currently receiving medical benefits	40
Retirees entitled to, but not yet receiving benefits	-
	40
Active employees	51

Contributions and Funding Policy

The employer contributions, or funding, of the District's other post-employment obligation (OPEB) is at the discretion of management and the District's Board of Trustees and is based on amounts needed to fund future benefits due pursuant to a qualified actuarial analysis. For the years ended December 31, 2015 and 2014, District approved funding to the Trust for its OPEB obligation of $348,000 and $1,000,000 respectively.

The contribution requirements of the District for retiree plan members are established through a collective bargaining agreement. Retirees and their spouses who elect to continue their health coverage under the Plan may be eligible for a District-paid benefit up to 100% of the premium for the retiree and their spouse, depending on their years of service with the District. The percentage of District-paid benefit also applies to the HSA and HRA contribution requirements for the retiree and their spouse.

For those retirees and their spouses under age 65 who elect to continue coverage in the Plan, the District currently contributes toward the cost of retiree health 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, receive a percentage of the retiree and spouse premium and HSA contribution paid by the District for their lifetimes. The percentage is based on the following service schedule:

Years of District Service	% of Retiree Premium Paid	% of Retiree's 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%

- Employees hired on or after June 1, 2003 retiring from the District at age 55 or older with at least 20 years of service, receive a percentage of the employee and spouse premium and HSA contribution 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 Retiree Premium Paid	% of Retiree's 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 determine 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.

Upon attainment of age 65 and eligibility for Medicare, coverage under the Plan for the retiree or their spouse is discontinued. However, they will continue to receive a District contribution to an HRA established for the retiree or their spouse, the amount of which is based on the same vested percentage that was applicable while under the District Plan coverage. The District contribution was equal to $225 multiplied by the retiree's vested percentage, funded to the HRA by the District on a pay as you basis. Similarly, eligible spouses receive a monthly health insurance allowance equal to $225 multiplied by their applicable vested percentage, also funded to an HRA by the District on a pay as you go basis. In addition, 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 premium qualified.

Retiree contributions are required for the portion of the insurance premiums in excess of the subsidies provided by the District as discussed above. During the years ended December 31, 2015 and 2014, retirees' share of the monthly health premiums ranged from $40 to $1,552 a month and $40 to $404 a month, respectively.

The Plan offers participants Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) continuation of coverage, subject to all conditions and limitations of COBRA. There was one retiree utilizing COBRA continuation of coverage during the year ended December 31, 2015; and no retirees utilizing COBRA continuation of coverage during the year ended December 31, 2014.

Note 4 - Investments and Risk

In accordance with the Trust document, the Trust's assets are limited to investments in the Retirement Benefits Investment Fund (RBIF); and any investment authorized pursuant to Nevada Revised Statute (NRS) 287.017(2)(g)(2). Such investments under NRS 287.017(2)(g)(2) include those allowed by local governments provided by NRS 355.170 which 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). In addition, NRS 287.017(2)(g)(2), allows for investment in any stocks, other equity securities, bonds or other debt securities which are traded on a public securities market and were approved by the State's Committee on Local Government Finance, except in no case may investments include more than five percent of equity or debt of any single business entity. The Trustees have not adopted a formal investment policy that further limits the investment choices nor further limits the Trust's exposure to investment risks.

The Trust 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 RBIF. Bank of New York Mellon determines the fair value of the RBIF monthly. The Trust's investment in RBIF of $7,017,203 and $6,637,099 at December 31, 2015 and 2014, respectively, is reported at fair value, which is determined by the fair value per share of RBIF's underlying portfolio as of December 31, 2015 and 2014. The RBIF primarily invests in a mix of domestic and foreign equity securities and fixed income investments. The RBIF engages only in foreign currency forward contracts to reduce foreign currency translation risk. No other derivatives are allowed. Fixed income securities are 28.3% and 28.8% of the RBIF portfolio at December 31, 2015 and 2014, respectively. These fixed income securities have maturity dates ranging from December 2016 to November 2045 at December 31, 2015 and maturity dates ranging from May 2015 to May 2112 at December 31, 2014. Complete financial information on RBIF as of June 30, 2015 and June 30, 2014 can be obtained by contacting Public Employees Retirement System (PERS) at 693 W. Nye Lane, Carson City, NV, 89703.

Note 5 - Funded Status and Funding Progress

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

Valuation date	January 1, 2015
Actuarial Accrued Liability (AAL) (a)	$ 11,118,816
Actuarial Value of Plan Assets (b)	6,646,334
Unfunded Actuarial Accrued Liability (UAAL) (a-b)	$ 4,472,482
Funded Ratio (b/a)	60%
Covered Payroll (Active Plan Members) (c)	$ 3,933,282
UAAL as a Percentage of Covered Payroll [(a-b)/c]	114%

Actuarial valuations of ongoing plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, return on investments and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of the Trust's assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. In addition, the schedule of contributions from the employer, also presented as RSI, provides trend information about the amounts contributed to the Trust by the District in comparison to the annual required contribution (ARC), an amount that is actuarially determined in accordance with parameters of the GASB Statement 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Projections of benefits for financial reporting purposes are based on the Trust as understood by the District 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 District and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

Actuarial valuation date	1/1/2015
Actuarial cost method	Entry age, normal cost
Amortization method	Level percentage of pay, closed
Remaining amortization period	25 years
Asset valuation method	Market value
Investment rate of return	8.00%
Healthcare inflation rate	7.75% initial 5.00% ultimate

Note 6 - Related Party Transactions

During the years ended December 31, 2015 and 2014, accounting fees of $1,529 and $1,600, respectively, were paid to a Trustee of the Trust for accounting and tax services during the year.

Note 7 - Plan Termination

In the event the Plan terminates, the Trustee shall apply all the assets remaining in the Trust in a uniform and non-discriminatory manner toward the provisions of benefits for the participants.

Required Supplementary Information

Tahoe Douglas Fire Protection District Post-Retirement Plan & Trust

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	[(b-a)/c] UAAL as a Percentage of Covered Payroll
January 1, 2015	$ 6,646,334	$ 11,118,816	$ 4,472,482	59.78%	$ 3,933,282	114%
January 1, 2012	$ -	$ 10,259,778	$ 10,259,778	0.00%	$ 3,138,529	327%
January 1, 2010	$ -	$ 20,765,892	$ 20,765,892	0.00%	$ 3,971,354	523%

Changes from 2012 valuation to 2015 valuation

AAL increased due to updates to employee and premium data, number of eligible active employees and retirees, assumed rates of retirement and termination, and additional projection for future mortality improvement.

Changes from 2010 valuation to 2012 valuation

AAL decreased given the change in coverage and benefits provided to retirees over age 65, from subsidized premiums to a monthly health reimbursement arrangement (HRA) contribution, updates to employee data and a change in the discount rate assumption from 4% to 8%, reflecting the District's decision to begin funding its OPEB obligation.

Year Ended	Annual Required Contribution	Percentage Contributed
December 31, 2015	$ 519,606	173%
December 31, 2014	$ 626,614	242%
December 31, 2013	$ 685,089	361%