

Metropolitan Water Reclamation District
Retiree Health Care Trust
Comprehensive Annual Financial Report



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Agenda

- Overview of Retiree Health Care Trust
- Independent Auditors' Report
- Components of Financial Statements:
 - Introductory Section
 - Financial Section
 - Investment Section
 - Actuarial Section
 - Statistical Section
- Accounting Standards Update for OPEB (Other Post-Retirement Benefits)

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Overview of Retiree Health Care Trust

- Established in 2007 for the purpose of providing for the funding and payment of health and other fringe benefits for retired, disabled, or terminated employees of the District or for their dependents or beneficiaries.
- The trust is considered a separate legal entity, but MWRD retains fiduciary responsibility for the trust. As such, it is considered a component unit and is included in the District's financial statements.
- MWRD must also consider the impact of its funding of the trust in its own financial statements.

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Independent Auditors' Report

- Gives external users of the financial statements independent assurance.
- The opinion outlines the different responsibilities of management and the auditor for the financial statements.
- The opinion paragraph states the auditors' assessment of the financial statement presentation. An unmodified opinion means that management has presented financial statements that are fair in all material respects.
- Additional paragraphs outline additional information under the "Other Matters" heading.

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Components of the Financial Statements

Introductory Section:

- Unaudited information presented by management.
- Certificate of Achievement in Financial Reporting is presented, which is awarded by the Government Finance Officers Association.
- A letter of transmittal is provided that prefaces the financial statements and provides the context under which the financial statements are presented.
- Other information such as an organizational chart and a list of officers is also presented.

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Components of the Financial Statements

Financial Section:

- After the auditors' opinion, management presents its discussion and analysis of the financial statements.
- The basic financial statements of the trust are then presented:
 - Statements of Plan Net Position
 - Statements of Changes in Plan Net Position
- Notes to the basic financial statements are the next component of the financial section. These provide required disclosures and more detailed information about individual financial statement line items.

Components of the Financial Statements



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Financial Section (cont.):

- Certain required supplementary information is provided which includes:
 - Schedule of Funding Progress
 - Plan is 46.4% funded at 12/31/13 (date of last valuation)
 - Funding policy designed to reach 100% by 2026
 - Schedule of Employer Contributions
 - District as advanced funded \$112.4 million through 2014
 - Market value of Trust's investments was \$146.4 million at 12/31/14
 - Schedule of Actuarial Assumptions

Components of the Financial Statements



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Financial Section (cont.):

- Additional supplementary information is provided which includes:
 - Summary Schedule of Administrative Expenses
 - Summary Schedule of Investment Fees
- These schedules give the reader key information not included within the basic financial statements along with a historical perspective to current year results.

Components of the Financial Statements



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Investment Section:

- The investment section gives the reader of the financial statements detailed information about the assets of the trust.
- Some additional components of this section include:
 - Investment policies and objectives
 - Asset allocation and performance
 - Historical analysis of investment yields
 - Trust's time-weighted rate of return was 11.81% for the three years ended 12/31/14

Components of the Financial Statements



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Actuarial Section:

- The actuarial section gives the reader of the financial statements detailed information about the obligations and reserves of the trust.
- The information in this section is based on the independent actuarial valuation completed as of December 31, 2013. Accounting standards require a new valuation every two years.
- Some additional components of this section include:
 - Summary of actuarial assumptions, methods, and data
 - Analysis of funding
 - Historical valuation data

Components of the Financial Statements



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Statistical Section:

- Unaudited information that is provided as a context for understanding what the information in the financial statements, notes disclosures, and the required supplementary information indicate about the Trust's overall financial health.
- The types of information presented can be classified as either demographic information or financial trends.
- The schedules are presented for a historical period of up to ten years to provide additional perspective for the reader.

Accounting Standards Update



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- Accounting standards related to other post-retirement benefits are being reviewed by the Governmental Accounting Standards Board.
- Specifically, the recording of the liability on the District's financial statements will likely change.
- Similar to the recent standard update on pensions, the total unfunded liability of the OPEB will be recorded on the District's Statement of Net Position.
- The standard has not been adopted, but it is reasonable to expect it will within the next one-to-three years.

Questions?



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