LOWER COLORADO RIVER AUTHORITY RETIREMENT PLAN AND TRUST

FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION

As of and for the Year Ended Dec. 31, 2017
and Nine Months Ended Dec. 31, 2016

LOWER COLORADO RIVER AUTHORITY RETIREMENT PLAN AND TRUST

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INDEPENDENT AUDITORS' REPORT

To the LCRA Retirement Benefits Board of Trustees
Lower Colorado River Authority Retirement Plan and Trust
Austin, Texas

We have audited the accompanying financial statements of the Lower Colorado River Authority Retirement Plan and Trust (Plan), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Plan's 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.

Auditors' 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 auditors' 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 net position of the Plan as of December 31, 2017, and the changes in the Plan's net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Plan as of and for the nine-month period ended December 31, 2016, were audited by other auditors whose report dated August 2, 2017, expressed an unmodified opinion on those statements.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the Plan and do not purport to, and do not, present fairly the financial position of the Lower Colorado River Authority, as of December 31, 2017, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Baker Tilly Virchow Krause, LLP

Austin, Texas
April 27, 2018

This section of the Lower Colorado River Authority (LCRA) Retirement Plan and Trust's (the Plan) financial report presents discussion and analysis of the Plan's financial performance for the year ended Dec. 31, 2017, and the nine month period ended Dec. 31, 2016 (period). The LCRA Retirement Benefits Board of Trustees voted to change Plan's fiscal year end from March 31 to Dec. 31 on Sept. 21, 2016. This change resulted in a nine month period. The attached financials represent a full year as of Dec. 31, 2017, compared to the nine month period ending Dec. 31, 2016. We encourage readers to consider the information presented here in conjunction with the financial statements that follow.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Plan's financial statements, which comprise the following:

Statements of Fiduciary Net Position – present the assets and liabilities of the Plan for the current and prior year. Investments are stated at fair value and, accordingly, unrealized appreciation and depreciation are reported in the Statements of Changes in Fiduciary Net Position. Purchase and sale of investments are recorded on a trade-date basis and, accordingly, the related receivable and payable for any unsettled trades are recorded. Amounts reported may include management's estimates. Actual results could differ from those estimates.

Statements of Changes in Fiduciary Net Position – present information showing how the Plan's net position changed during the current period. Changes are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Revenues and expenses are reported in these statements for some items that will only result in cash flows in future periods.

Notes to the Financial Statements – include a summary of significant accounting policies, a brief description of the Plan, disclosures regarding liabilities, funding policies, investments and administrative expenses, and disclosure of the net pension liability of the employer which are deemed necessary for a full understanding of the data provided in the Plan's financial statements.

Required Supplementary Information – presents the Schedule of Changes in the Employer's Net Pension Liability and Related Ratios (Unaudited), the Schedule of Employer Contributions (Unaudited), the Schedule of Investment Returns (Unaudited), and the Notes to the Required Supplementary Information. These are a required part of the financial statements, required by the Governmental Accounting Standards Board (GASB).

Collectively, this information presents the net position held in trust for pension benefits as of the end of each period and summarizes the changes in net position for the period.

Financial Highlights

Net position restricted for pension increased by approximately $21.7 million, or 5.4 percent, for the year ended Dec. 31, 2017, and increased by approximately $3.1 million, or 0.8 percent, for the period ended Dec. 31, 2016. A stronger market performance in 2017 and the strong market performance in the second half of the period ended Dec. 31, 2016 are the primary reasons for these increases.

Contributions increased by approximately $7.4 million, or 47.1 percent, for the year ended Dec. 31, 2017, and decreased by approximately $6.6 million, or 29.5 percent, for the period ended Dec. 31, 2016. The amount of benefits paid to retired members, beneficiaries and vested, terminated employees increased by approximately $17.4 million, or 63.2 percent, for the year ended Dec. 31, 2017, and decreased approximately $10.6 million, or 27.9 percent, for the period ended Dec. 31, 2016. This was due to increased retirements and lump-sums taken throughout the 2017 Plan year end. The Plan's rate of return on investments for the year ended Dec. 31, 2017, and the period ended Dec. 31, 2016, was 11.1 percent and 3.8 percent, respectively. The actuarial assumed rate of return is 7.25 percent.

The Plan's funding objective is to meet long-term benefit obligations through contributions and investment income. As of Dec. 31, 2017, the date of the most recent actuarial valuation, the Plan's funding ratio of actuarial assets as a percentage of current actuarial liabilities is 74.0 percent, which is an increase from the 73.8 percent level as of Dec. 31, 2016.

Financial Analysis

Statements of Fiduciary Net Position

(Dollars in Thousands)

	Dec. 31, 2017	Dec. 31, 2016	March 31, 2016
Assets			
Cash and cash equivalents	$ 15,432	$ 24,321	$ 17,154
Investments—at fair value	413,611	377,361	381,668
Receivables	920	1,851	2,344
Total assets	429,963	403,533	401,166
Liabilities			
Total liabilities	5,158	413	1,131
Net position restricted for pensions	$ 424,805	$ 403,120	$ 400,035

Total investments were approximately $413.6 million as of Dec. 31, 2017, and approximately $377.4 million as of Dec. 31, 2016, which is an increase of approximately $36.3 million, or 9.6 percent for the year ending Dec. 31, 2017.

Liabilities increased by $4.7 million, or 1,148.9 percent, from Dec. 31, 2016, to Dec. 31, 2017, and decreased by approximately $0.7 million, or 63.5 percent, from March 31, 2016, to Dec. 31, 2016. The increase for the year Dec. 31, 2017, is primarily due to accrued lump sum payouts. The decrease for the prior period was due to decreases in accrued investment and benefits payable.

The Plan's net position restricted for pension benefits increased by approximately $21.7 million for the year ended Dec. 31, 2017, and increased by approximately $3.1 million for the period ended Dec. 31, 2016. The year ended Dec. 31, 2017, increase was primarily due to an increase in earnings from investments and contributions. The period ended Dec. 31, 2016 increase was due primarily to investment performance for the nine month period resulting from the change in the Plan year end date.

Statements of Changes in Fiduciary Net Position

(Dollars in Thousands)	12 Months Ended Dec. 31, 2017	Nine Months Ended Dec. 31, 2016	12 Months Ended March 31, 2016
Additions			
Contributions	$ 23,130	$ 15,719	$ 22,294
Investment income	47,240	16,220	2,118
Less investment expenses	(3,532)	(1,369)	(1,303)
Net investment income	43,708	14,851	815
Total additions	66,838	30,570	23,109
Deductions			
Benefits paid to participants	44,837	27,476	38,088
General, administrative and other expenses	316	9	4
Total deductions	45,153	27,485	38,092
Net increase (decrease) in net position	21,685	3,085	(14,983)
Fiduciary net position, beginning of period	403,120	400,035	415,018
Fiduciary net position, end of period	$ 424,805	$ 403,120	$ 400,035

Additions: Funds to pay benefits are accumulated through contributions and returns on invested funds. Employer and employee contributions for the year ended Dec. 31, 2017, and the period ended Dec. 31, 2016 totaled approximately $23.1 million and $15.7 million, respectively. The increase in contributions of approximately $7.4 million, or approximately 47.1 percent is due to the prior period's shortened plan year representing only nine months of activity, as well as an additional $2.0 million funding executed by the Board. Employer contributions decreased for the period ended Dec. 31, 2016, as compared to the year ended March 31, 2016. This decrease was due to the shortened plan year representing only nine months of activity.

The Plan realized net investment income of approximately $43.7 million for the year ending Dec. 31, 2017, which is attributed to stronger performance of the portfolio assets. This increase in net investment income was approximately $28.9 million higher than the period ended Dec. 31, 2016. The Plan realized a positive return on the market value of its investments during Plan period ended Dec. 31, 2016. A net investment gain for the period ended Dec. 31, 2016 of approximately $14.9 million was due to performance of the portfolio assets, which represented an increase of approximately $14.0 million from the March 31, 2016, gain. The total rate of return for the Plan's investment portfolio for the year ended Dec. 31, 2017, was 11.1 percent (net of fees), compared to 3.8 percent (net of fees) for the period ended Dec. 31, 2016.

Deductions: The expenses paid by the Plan include benefit payments and administrative expenses. Benefits paid for the year ended Dec. 31, 2017, were approximately $45.2 million, an increase of approximately $17.7 million from payments made for the period ended Dec. 31, 2016. This increase is primarily attributed to Dec. 31, 2017, being a full year, versus the shortened nine month period ended Dec. 31, 2016. Benefits paid for the period ended Dec. 31, 2016, were approximately $27.5 million, a decrease of approximately $10.6 million from payments made for the year ended March 31, 2015.

Investment expenses for the year ended Dec. 31, 2017 was $3.5 million, which was an increase of approximately $2.2 million, or 158.0 percent from the period ended Dec. 31, 2016 due to the inclusion of performance based investment expenses previously recorded under investment income. Investment expenses increased from the year ended March 31, 2016, to Dec. 31, 2016, by approximately $0.1 million, or 5.1 percent.

Overall Analysis

As of Dec. 31, 2017, the net position increased by about $21.7 million, or 5.4 percent, from Dec. 31, 2016. Financial markets performed stronger in 2017, which resulted in greater investment income compared to the prior period Dec. 31, 2016. For the period ended Dec. 31, 2016, the net position increased by about $3.1 million, or 0.8% from the prior year, also due to stronger performance of investments markets despite reflecting nine month's actual results.

Request for Information

This financial report is designed to provide a general overview of the finances of the Lower Colorado River Authority Retirement Plan and Trust for all parties with an interest. Questions about this report or requests for additional financial information should be addressed to the Pension Administrator, Lower Colorado River Authority Retirement Plan and Trust, 3700 Lake Austin Blvd., Austin, TX 78703.

LOWER COLORADO RIVER AUTHORITY RETIREMENT PLAN AND TRUST
STATEMENTS OF FIDUCIARY NET POSITION
Dec. 31, 2017 and Dec 31, 2016
(Dollars in Thousands)

	Dec. 31, 2017	Dec. 31, 2016
Assets		
Cash and cash equivalents	$ 15,432	$ 24,321
Investments—at fair value	413,611	377,361
Receivables:		
Accrued interest	428	620
Dividend	117	154
Employer contributions	-	804
Employee buyback contributions	33	273
Other receivables	342	-
Total receivables	920	1,851
Total assets	429,963	403,533
Liabilities:		
Accrued investment expenses	132	136
Accrued administrative expenses	144	109
Benefits payable	4,882	168
Total liabilities	5,158	413
Net position restricted for pensions	$ 424,805	$ 403,120

LOWER COLORADO RIVER AUTHORITY RETIREMENT PLAN AND TRUST
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended Dec. 31, 2017 and the Nine Months Ended Dec 31, 2016
(Dollars in Thousands)

	Year Ended Dec. 31, 2017	Period Ended Dec. 31, 2016
Additions		
Investment income:		
Net appreciation on investments	$ 43,020	$ 11,939
Interest	2,603	2,631
Dividends	1,578	1,466
Settlements, commissions, and other	39	184
Total investment income	47,240	16,220
Less investment expenses	(3,532)	(1,369)
Net investment income	43,708	14,851
Employer contributions	22,892	15,099
Employee contributions	238	620
Total contributions	23,130	15,719
Total additions	66,838	30,570
Deductions		
Benefits paid to participants	(44,837)	(27,476)
General, administrative and other expenses	(316)	(9)
Total deductions	(45,153)	(27,485)
Net increase in net position	21,685	3,085
Net position restricted for pensions, beginning of period	403,120	400,035
Net position restricted for pension, end of period	$ 424,805	$ 403,120

Note 1. Pension Plan Description

Plan Description: The Lower Colorado River Authority (LCRA) Retirement Benefits Board of Trustees (the Board) is the administrator of the LCRA Retirement Plan and Trust (the Plan), a single-employer defined benefit pension plan sponsored by LCRA. The Board has seven members: two LCRA Board members, two employees from upper-management positions and three employees from positions other than upper management. The LCRA Board of Directors has sole authority to amend the Plan.

Benefits Provided: LCRA employees hired before May 1, 2012, are covered by the Plan. The Plan provides retirement, death and disability benefits. Effective Jan. 1, 2002, the Plan was amended to provide cash balance benefits for all employees employed or re-employed on or after Jan. 1, 2002, who become Plan participants. Active employees as of Dec. 31, 2001, were given the opportunity through the LCRA Retirement Choice Program to elect to become participants under cash balance provisions (Cash Balance Participants) or to remain under the pension provisions (Pension Participants).

The Pension Participants' retirement benefit for each year of service is 1.75 percent of the highest five-year average monthly compensation plus 0.4 percent of the portion of the highest five-year average monthly compensation that exceeds the monthly integration level. The monthly integration level is a sliding scale based on the calendar year in which termination of employment occurs, with the level being $3,286 for those terminating employment in 2018 and increasing to $3,300 for those terminating employment in 2020 and later. The retirement benefits for Pension Participants become 100.0 percent vested after complete years of vesting service. Pension Participants may retire with unreduced accrued benefits at age 65 with five years of employment or when the total of age and service equals 80 (Rule of 80). The monthly benefit at retirement for Pension Participants is payable in a 10-year certain and life thereafter form of annuity. There are no automatic or guaranteed post-retirement cost-of-living adjustments, but ad hoc retiree benefit increases may be granted by amendment. Pension Participants are not required to contribute to the Plan, although the Plan retains employee contributions and associated liabilities from years prior to April 1, 1984, when the Plan required employee contributions. LCRA pays disability early retirement benefits to participants in the event the participant becomes disabled prior to reaching their normal retirement date under the plan. LCRA pays death benefits to the beneficiaries of plan participants based upon the plan participant's elections made.

All employees initially employed or re-employed by LCRA on or after Jan. 1, 2002, and before May 1, 2012, who complete three consecutive months of credited service are eligible to participate in the Plan as a Cash Balance Participant as of the monthly anniversary date coincident with or first following the completion of three consecutive months of credited service. The cash balance account consists of a beginning balance, monthly contribution credits and monthly interest credits. The beginning balance should be zero unless the Cash Balance Participant was employed prior to Jan. 1, 2002, in which case the beginning balance should be the Plan's lump-sum value, if any, as of Dec. 31, 2001, or, if greater, the transition value determined as of Dec. 31, 2001. The transition value was based on credited service and compensation averaged over 60 months of employment, determined as of Dec. 31, 2001. Contribution credits are equal to 4.0 percent of compensation paid during a month.

Note 1. Pension Plan (Continued)

Interest credits are added at the end of each month to the cash balance account based on an annual effective interest rate of 7.0 percent.

Funding Policy: The LCRA Board of Directors amended the Plan at its March 21, 2012, meeting to close it to new entrants effective May 1, 2012. Given the closing of the Plan to new entrants, the Plan's actuaries recommended a new funding policy beginning with the fiscal year ended, March 31, 2013. The LCRA Board of Directors has sole authority to determine the employer's contribution, taking into consideration the actuaries' recommended contribution.

In order for a public employee retirement plan to have an adequate contribution arrangement, contributions must be sufficient to pay the Plan's normal cost and to amortize the Plan's total net pension liability (NPL) over a reasonable period of time. Based on the professional judgment of the Plan's actuaries and the actuarial assumptions and methods used in the April 1, 2012, valuation, the actuaries recommended the amortization period for the Plan be 25 years beginning April 1, 2012. Given the closed group of employee participants, the actuaries believed the amortization of the NPL should switch from a level percent of participant payroll contributions to level dollar contributions and Board approved.

Based on this funding policy, the actuaries' recommended contribution for the year ended Dec. 31, 2017, was $18.6 million payable Jan. 1, 2018. This amount will fund the Plan's normal cost for the year and will amortize the NPL as a level dollar amount over the remaining 20 years. Paid biweekly, the annual aggregate amount actuarially equivalent to the Jan. 1, 2018, amount is $18.6 million. There are no required contributions by the participants; however, some employee contributions are made to purchase optional credited service. The actual employer contribution for the year ended Dec. 31, 2017, was approximately $22.9 million.

For the nine month period ended Dec. 31, 2016 (period), the actuarial valuation recommended contribution payable was $13.9 million. This amount will fund the Plan's normal cost for the year and will amortize the NPL as a level dollar amount over the remaining 21 years. Paid biweekly, the annual aggregate amount actuarially equivalent is $15.1 million. There are no required contributions by the participants; however, some employee contributions are made to purchase optional credited service. The actual employer contribution for the period ended Dec. 31, 2016 was approximately $15.1 million.

The funding policy also depends upon the total return of the Plan's assets, which varies from year to year. Investment policy decisions are established and maintained by the Board. The Board employs and selects investment managers with the advice of its investment consultant, who is completely independent of the investment managers. The money-weighted rate of return on pension plan investments was 11.1 percent for the year ended Dec. 31, 2017, and 3.8 percent for the period ended Dec. 31, 2016. This measurement of the investment performance is net of investment-related expenses, reflecting the effect of the contributions received and the benefits paid during the period.

Note 1. Pension Plan (Continued)

Employees Covered by the Plan:

Group	Dec 31, 2017	Dec 31, 2016
Retirees and beneficiaries in pay status	888	860
Vested terminated and disabled deferred beneficiaries	92	93
Active plan members	1,134	1,227
Total	2,114	2,180

Pension Benefits: The Plan provides pension, disability and death benefits. Employees who are 100.0 percent vested are entitled to pension benefits beginning at the normal retirement date, which is the first day of the month that follows the earlier of (a) the later of (i) the participant's 65th birthday or (ii) the date on which the participant completes five years of credited service or (b) the date on which the participant's age and service, computed in years and months, is equal to 80 years. The amount payable to participants is equal to the amount of the participant's accrued benefit, with previously defined limitations, as defined in the Plan.

Optional forms of distribution were made available to each individual or beneficiary entitled to a retirement benefit in pay status as of Jan. 1, 2002. Each individual or beneficiary was offered a one-time election of a lump-sum distribution representing either 100.0 percent or 50.0 percent of the present value of such individual's vested accrued retirement benefit determined as of Jan. 1, 2002. Individuals who elected a 50.0 percent lump-sum distribution received the remaining 50.0 percent of the present value of such individual's vested accrued retirement benefit as a monthly retirement benefit. Vested individuals, whose employment with LCRA terminated prior to Jan. 1, 2002, had a one-time election to receive 100.0 percent of the present value of such individual's vested accrued retirement benefit determined as of Jan. 1, 2002.

Option A: Under Option A, LCRA pays 100.0 percent of the pension cost and matches 25.0 percent of the first 4.0 percent of pay an employee contributes to LCRA's 401(k) Plan. Employees under this option may retire with their unreduced accrued benefits at age 65 with five years of participation, or when the total of their age and service equals 80, effective July 1, 1994. Effective July 1, 1995, an employee who is fully vested, may purchase additional service credits subject to certain limitations. The normal form of monthly benefit at retirement is payable in a 10-year certain and life thereafter form of an annuity. There are other actuarially equivalent monthly payment forms available. Lump-sum payment values also are available as a form of payment. This option closed to new participants as of Jan. 1, 2002.

The retirement benefit for each year of service is 1.75 percent of the highest 60-month average monthly compensation plus 0.4 percent of that portion of the highest 60-month average monthly compensation, which exceeds the monthly integration level. The monthly integration level is a sliding scale based upon the calendar year in which termination of employment occurs, with the level being $3,286 for those terminating employment in 2018 and increasing to $3,300 for those terminating employment in 2020 and later.

Note 1. Pension Plan (Continued)

Option B: This option differs from Option A by establishing an account for each employee. The account is for recordkeeping purposes only and does not represent a statement of interest of the participant in actual assets of the Plan. The value of the participant's account is adjusted by increasing the balance by 4.0 percent of the participant's compensation paid during that month. The account will earn a 7.0 percent fixed rate in interest each year. This option also offers an enhanced 401(k) match. LCRA matches 100 percent of the first 4.0 percent of pay an employee contributes to the 401(k) account. LCRA matches 50.0 percent of the next 2.0 percent of pay contributed to the account. The normal retirement benefit for an employee provided under this option who has reached a normal retirement date shall be a single lump-sum payment equal to the participant's accrued retirement benefit (i.e., the participant's account balance). The participant may elect an optional form of payment of retirement benefits, as provided by the Plan. This option closed to new participants as of May 1, 2012.

Administrative Expenses: Administrative expenses are paid by the Plan, as provided by the Plan document. Certain expenses incurred in connection with the general administration of the Plan and paid by the Plan are recorded as deductions in the accompanying statements of changes in fiduciary net position. In addition, certain investment-related expenses are included in the net appreciation of fair value of investments presented in the accompanying statements of changes in fiduciary net position.

Note 2. Summary of Significant Accounting Policies

Reporting Entity: LCRA sponsors the Plan. The Plan does not purport to, and does not, present the financial position or changes in financial position of LCRA as of any date or for any period. Certain information regarding the Plan is included in the notes to LCRA's financial statements. The LCRA Retirement Benefits Board of Trustees voted to change Plan's fiscal year end from March 31 to Dec. 31 on Sept. 21, 2016. This change is effective for the period ending Dec. 31, 2016.

Use of Estimates: The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein; disclosures of contingent assets and liabilities; the actuarial present value of accumulated plan benefits at the date of the financial statements; and changes therein. Actual results could differ from those estimates.

Basis of Accounting: The financial statements of the Plan are reported using the economic resources measurement focus and are prepared on the accrual basis of accounting in conformity with GAAP. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. The Plan applies all applicable Governmental Accounting Standards Board (GASB) pronouncements and presents its financial statements in accordance with the GASB Codification of Governmental Accounting and Financial Reporting Standards.

Note 2. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents: Cash and cash equivalents include money market and interest-bearing investments. The Plan considers all highly liquid investments with an original maturity of three months or less at the date of purchase to be cash equivalents.

Investment Valuation and Income Recognition: Effective April 1, 2016, the Plan implemented GASB Statement No. 72, *Fair Value Measurement and Application* (Statement No. 72). Statement No. 72 addresses the accounting and reporting issues related to fair value measurements. The adoption of this standard did not have a significant impact on the Plan's financial statements other than requiring additional footnote disclosures.

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants. Investments are reported at fair value based upon quoted market prices, or when quoted market prices are not readily determinable, estimated fair values using observable inputs including quoted prices for similar securities, interest rates, and a fixed income pricing model which uses available market rates. For investments in limited partnerships where no readily determinable fair value exists, the fair value of the investment is based on the net asset value (NAV) per share calculated as the most recent capital account balance of each limited partnership as communicated by the investment administrator, adjusted for subsequent contributions, distributions, and withdrawals and adjusted as necessary by the Plan for current market conditions. Shares of registered investment companies (mutual funds) are reported at NAV.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan's gains and losses on investments bought and sold, as well as unrealized gains and losses on investments held at year end.

Payment of Benefits: Benefit payments to participants are recorded when due and payable under terms of the Plan.

New Accounting Standards Requiring Adoption in a Future Year or Implemented in a Prior Year

GASB Statement No. 82

In June 2016, GASB Statement No. 82 (Statement No. 82), *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73,* amended GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, to require payroll amounts disclosed in the pension Required Supplementary Information schedule to be covered payroll rather than covered-employee payroll. Covered payroll is the payroll on which contributions to a pension plan are based. Covered-employee payroll is the total compensation of employees that are provided with pensions through a pension plan.

Statement No. 82 states that an actuarial valuation is not in conformity with the pension standards if it includes a deviation from the Actuarial Standards of Practice in the selection of assumptions. Statement No. 82 also specifies payments made by employers to satisfy employee contribution requirements should be considered employee contributions and recognized as expenses in the

Note 2. Summary of Significant Accounting Policies (Continued)

same manner as other compensation. This standard was implemented in the prior year and did not have a significant impact on the Plan's financial statements.

Note 3. Net Pension Liability

The employer's net pension liability was measured as of Dec. 31, 2017, and Dec. 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of Jan. 1, 2018, and Jan. 1, 2017.

Actuarial Assumptions: The total pension liability in the Dec. 31, 2017, and Dec. 31, 2016, actuarial valuations were determined using the following actuarial assumptions applied to all periods included in the measurement:

	Dec. 31, 2017	Dec. 31, 2016
Inflation	2.75 percent	2.75 percent
Salary increases	3.25 percent, plus merit and promotion increases that vary by age and service	3.25 percent, plus merit and promotion increases that vary by age and service
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation	7.25 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table for males and females (sex distinct) projected to 2024 by scale AA. The assumed retirement rates, termination rates, and rates of merit and promotion increases were based on an experience study over the five Plan years ending in 2015.

The long-term expected rate of return on pension plan investments is reviewed annually and was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future net real rates of return by the target asset allocation percentage and by adding expected inflation. The final 7.25 percent assumption for the year ended Dec. 31, 2017, was selected by rounding down and, thereby, reflects a reduction of 1.17 percent for adverse deviation.

The target allocation and expected arithmetic net real rates of return for each major asset class are summarized in the following table for the year ended Dec. 31, 2017, and period ended Dec. 31, 2016.

Note 3. Net Pension Liability (Continued)

Asset Class	Target Allocation	Long-Term Expected Net Real Rate of Return
Domestic equity		
Large cap	22.0%	6.4%
Small cap	5.5%	6.0%
International equity		
Developed	20.0%	6.2%
Emerging	7.5%	7.7%
Fixed income		
Core	15.0%	1.7%
Global	5.0%	1.9%
Alternatives		
Long/short equity	15.0%	3.4%
Absolute return	10.0%	1.6%
Total	100.0%	
Weighted average		4.6%

Discount Rate: The discount rate used to measure the total pension liability as of Jan. 1, 2018, and Jan. 1, 2017, was 7.25 percent. No projection of cash flows was used to determine the discount rate because the Jan. 1, 2018 and 2017, actuarial valuation showed expected contributions would pay the normal cost and amortize NPL in 20 and 21 years, respectively. Because of the 20-year amortization period with level dollar amortization of the NPL, the pension plan’s fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments of 7.25 percent was applied to all periods of projected payments as the discount rate to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the employer as of Jan. 1, 2018, calculated using the discount rate of 7.25 percent, as well as what the employer’s net pension liability would be if it were calculated using a discount rate 1.0 percent lower (6.25 percent) or 1.0 percent higher (8.25 percent) than the current rate.

(Dollars in Thousands) Dec. 31, 2017	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Employer’s Net Pension Liability	$ 215,436	$ 158,100	$ 108,756

The following presents the net pension liability of the employer as of April 1, 2016, calculated using the discount rate of 7.25 percent, as well as what the employer’s net pension liability would be if it were calculated using a discount rate 1.0 percent lower (6.25 percent) or 1.0 percent higher (8.25 percent) than the current rate.

(Dollars in Thousands) Dec. 31, 2016	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Employer’s Net Pension Liability	$ 234,489	$ 176,368	$ 126,456

Note 4. Investments

The Plan's investments are held in a trust and managed by independent investment managers, investment consultants and the Board. Investment guidelines historically have been established by the Board and then used to measure and manage performance. They are included in the Plan's written Master Statement, which is periodically reviewed by the Board and may be amended by the Board.

The primary goal of the Plan is to provide participants and their beneficiaries with retirement benefits according to provisions of the Plan. The Plan's assets must be invested with the care, skill and diligence a prudent expert acting in this capacity would undertake. The overall investment objective of the Plan is to invest the funds in such a manner as to achieve a reasonable growth of the corpus while maintaining a consistent payout capability. This should be achieved within the framework of the Master Statement consistent with the Plan's general objective of safety and preservation of principal. The minimum expected total return is the actuarial assumption approved by the Board on an annualized basis. The actuarial rate of return is a figure that should be net of expenses. This objective should be pursued as a long-term goal designed to maximize the benefits available without exposure to undue risk.

The annual total return objective should be greater than the actuarial assumption, and the investments of the total Plan (as defined as the market value by the Annual Audit Report) should produce a total return equal to or greater than the custom index. The custom index is defined as an index designed to match the asset allocation of the Plan by replacing each asset class with the corresponding percentage of index returns.

Investment managers are granted discretionary authority to manage assets of the Plan for the Board. Among other things, this Master Statement establishes policies regarding the current asset allocation strategies of the Plan and the duties and obligations of investment managers. Investment managers must manage the Plan assets according to the investment philosophy as presented to the Board when hired. No deviation from stated philosophy is authorized unless first discussed with the Board and its independent investment advisor, and the prior written consent of the Board in each instance is obtained.

The Board expects the total portfolio to achieve the following objectives over a five-year rolling average: (1) an annual total return greater than the actuarial assumption (currently 7.25 percent) and (2) investments of the Plan should produce a total return equal to or greater than the custom index.

The plan asset allocation is targeted to be: 22% Large cap domestic equities, 5.5% Small cap domestic equities, 15% Long/Short equity, 27.5% International equities, 15% Domestic fixed income, 10% Absolute Return, and 5% Global fixed income.

These guidelines shall be reviewed periodically, and can be changed by the Board at any time. The investment managers, will be notified of any changes and will have a maximum of 30 days to comply.

Note 4. Investments (Continued)

Investments, as of Dec. 31, 2017, are as follows:

(Dollars in Thousands)

Investments	Total Amount	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed income securities				
United States Treasury and agency:				
Mortgage pass-through securities	$ 20,021	$ -	$ 20,021	$ -
Notes and bonds	16,228	-	16,228	-
Corporate bonds	30,870	-	30,870	-
Other asset backed securities	4,759	-	4,759	-
Total fixed income securities	71,878	-	71,878	-
Equity securities	73,256	73,256	-	-
Total equity securities	73,256	73,256	-	-
Investments measured at NAV				
Limited partnerships	92,965			
Mutual funds	174,722			
Real estate investment trust	790			
Total investments measured at NAV	268,477			
Total investments	$ 413,611			

Investments measured at NAV, as of Dec. 31, 2017:

(Dollars in Thousands)

Investments Measured at NAV	Equities	Fixed Income	Net Asset Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Limited partnerships						
Rimrock High Income Plus Fund, Ltd [4]			$ 21,420	$ -	Quarterly	120 days
Arrowgrass International Fund Ltd [4]			20,364	-	Quarterly	45 days [5]
Highline Capital Partners QP, LP [3]			20,196	-	Quarterly	30 days
Hoplite Offshore Fund, Ltd. [3]			19,608	-	Quarterly	45 days
Senator Global Opportunity Offshore Fund II [3]			11,377	-	Quarterly	60 days [5]
Total limited partnerships			92,965	-		
Mutual funds						
Russell 1000 Value Fund [1]	57,629	-	57,629	-	Daily	2 days
Pyrford International Trust [2]	46,061	-	46,061	-	Monthly	N/A
Invesco International Growth [2]	36,392	-	36,392	-	Daily	N/A
Ranger Small Cap Fund [1]	13,798	-	13,798	-	Monthly	2 days
Parametric Defensive Equity LLC [3]	10,842	-	10,842		Monthly	5 days
GQG Partners Emerging Markets Equity [2]	10,000	-	10,000	-	Weekly	3 days
Total mutual funds	174,722	-	174,722	-		
Real estate investment trust						
Total real estate investment trust			790	-		
Total investments measured at NAV			$ 268,477	$ -		

Note 4. Investments (Continued)

[1] Domestic Equity Managers invest in U.S.-based companies utilizing bottom-up stock selection and quantitative screening. With the exception of the SSgA Russell 1000 Value Index Fund which seeks to track its index, the other managers seek to outperform their respective indices over a long term investment horizon.

[2] International Equity Managers invest in internationally-based companies utilizing bottom-up stock selection and seek to outperform their respective indices over a long term investment horizon.

[3] Long/Short Equity Managers invest in both U.S. and internationally-based companies and may also short stocks or bonds. Highline and Hoplite focus solely on equities, while Senator may invest in either equities or debt. Bottom-up security selection drives the investment process, and each manager seeks to outperform their respective indices over a long term investment horizon.

[4] Absolute Return Managers invest in a broader set of debt securities than Fixed Income Managers and pursue incremental positive returns in all market environments. These managers actively manage their portfolios and expect to outperform their respective benchmarks over a long term investment horizon.

[5] A hard lockup does not permit an investor to request for a capital redemption until after the lockup date passes for Arrowgrass, the lockup expires April 2019. In the case of Senator, the hard lockup expires in October 2018.

Investments, as of Dec. 31, 2016, are as follows:

(Dollars in Thousands)		Fair Value Measurements Using		
Investments	Total Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed income securities				
United States Treasury and agency:				
Mortgage pass-through securities	$ 32,721	$ -	$ 32,721	$ -
Notes and bonds	21,483	-	21,483	-
Corporate bonds	41,417	-	41,417	-
Other asset backed securities	8,521	-	8,521	-
Total fixed income securities	104,142	-	104,142	-
Equity securities	74,008	74,008	-	-
Total equity securities	74,008	74,008	-	-
Investments measured at NAV				
Limited partnerships	67,908			
Mutual funds	130,380			
Real estate investment trust	923			
Total investments measured at NAV	199,211			
Total investments	$ 377,361			

Note 4. Investments (Continued)

Investments measured at NAV, as of Dec. 31, 2016:
(Dollars in Thousands)

Investments Measured at NAV	Equities	Fixed Income	Net Asset Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Limited partnerships						
Rimrock High Income Plus Fund, Ltd [4]			$ 20,329	$ -	Quarterly	120 days 5
Highline Capital Partners QP, LP [3]			19,007	-	Quarterly	30 days
Hoplite Offshore Fund, Ltd. [3]			18,591	-	Quarterly	45 days
Senator Global Opportunity Offshore Fund II [3]			9,981	-	Quarterly	60 days 6
Total limited partnerships			67,908	-		
Mutual funds						
Russell 1000 Value Fund [1]	50,629	-	50,629	-	Daily	T-2 Notice
Pyrford International Trust [2]	38,572	-	38,572	-	Monthly	N/A
Invesco International Growth Trust I [1]	29,227	-	29,227	-	Daily	N/A
Ranger Small Cap Fund [1]	11,952	-	11,952	-	Monthly	T-2 Notice
Total mutual funds	130,380	-	130,380	-		
Real estate investment trust						
Total real estate investment trust			923	-		
Total investments measured at NAV			$ 199,211	$ -		

1 Domestic Equity Managers invest in U.S.-based companies utilizing bottom-up stock selection and quantitative screening. With the exception of the SSgA Russell 1000 Value Index Fund which seeks to track its index, the other managers seek to outperform their respective indices over a long term investment horizon.

2 International Equity Managers invest in internationally-based companies utilizing bottom-up stock selection and seek to outperform their respective indices over a long term investment horizon.

3 Long/Short Equity Managers invest in both U.S. and internationally-based companies and may also short stocks or bonds. Highline and Hoplite focus solely on equities, while Senator may invest in either equities or debt. Bottom-up security selection drives the investment process, and each manager seeks to outperform their respective indices over a long term investment horizon.

4 Absolute Return Managers invest in a broader set of debt securities than Fixed Income Managers and pursue incremental positive returns in all market environments. These managers actively manage their portfolios and expect to outperform their respective benchmarks over a long term investment horizon.

5 A hard lockup does not permit an investor to request for a capital redemption until after the lockup date passes for Arrowgrass, the lockup expires April 2019. In the case of Senator, the hard lockup expires in October 2018.

The Plan uses various methods to measure the fair value of investments on a recurring basis. Statement No. 72, establishes a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities the Plan has the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument in an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Note 4. Investments (Continued)

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Plan's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent valuation is based on models or inputs less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy in which the fair value measurement falls, is determined based on the lowest level input significant to the fair value measurement in its entirety.

Investments measured at net asset value do not have significant terms or conditions for redemption or commitment for additional funding.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. U.S. Treasury & Agency securities, Corporate Bonds, and Other Asset Backed Securities are valued at the recent closing price reported on the market in which individual securities are traded on the last day of the Plan's year. Mutual Funds, Limited Partnerships, and REITs are valued using NAV. Equity secuties are valued at market prices as reported for the last day of the Plan year.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. The Plan's Master Statement has no official policy for the management of interest rate risk.

The following tables address interest rate risk exposure by investment type using the effective duration method.

The Plan had the following investments with the following categories of maturities:

(Dollars in Thousands)	Dec. 31, 2017				
Investment Type	Fair Value	Less Than One Year	One to Six Years	Six to 10 Years	Greater Than 10 Years
United States Treasury and agency:					
Notes and bonds	$ 16,764	$ -	$ 6,554	$ 5,141	$ 5,069
Mortgage pass-through securities	19,052	-	20	1,140	17,892
Commercial mortgage-backed securities	1,021	-	-	-	1,021
Asset-backed securities	3,738	-	3,738	-	-
Corporate bonds	28,418	1,407	12,421	8,135	6,455
Yankee bonds	2,885	259	1,217	1,265	144
Total fixed income securities	$ 71,878	$ 1,666	$ 23,950	$ 15,681	$ 30,581

Note 4. Investments (Continued)

(Dollars in Thousands)

Investment Type	Dec. 31, 2016 Fair Value	Less Than One Year	One to Six Years	Six to 10 Years	Greater Than 10 Years
United States Treasury and agency:					
Notes and bonds	$ 21,483	$ -	$ 14,635	$ 6,848	$ -
Mortgage pass-through securities	32,722	-	-	1,695	31,027
Commercial mortgage-backed securities	2,274	-	-	-	2,274
Asset-backed securities	6,247	409	5,838	-	-
Corporate bonds	38,719	1,403	18,298	11,049	7,969
Yankee bonds	2,697	-	2,501	-	196
Total fixed income securities	$ 104,142	$ 1,812	$ 41,272	$ 19,592	$ 41,466

Credit Risk: Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligation. The Plan's Master Statement restricts the bond portfolio to a minimum average quality credit rating of AA by S&P (or AA2 by Moody's). A maximum of 20.0 percent (based on market value) can be purchased or held in securities rated between BBB- (S&P) or BAA3 (Moody's) and BBB+ (S&P) or BAA1 (Moody's). At no time may the investment manager hold more than 3.0 percent of the market value of the fixed income portfolio in securities that have fallen below BBB- (S&P) or BAA3 (Moody's). Commercial paper investments must not be rated lower than A-1 and P-1 by S&P and Moody's, respectively, with other short-term obligations rated at comparable credit quality. As of Dec. 31, 2017, the Trust's lone fixed income manager, Barrow Hanley, held a portfolio-level credit rating of AA-/Aa3. The fixed income portfolio credit ratings are summarized in the exhibit below.

(Dollars in Thousands)

Credit Rating	Dec. 31, 2017 Fair Value	Dec. 31, 2017 Allocation	Dec. 31, 2016 Fair Value	Dec. 31, 2016 Allocation
Aaa	$ 19,393	27.0%	$ 26,778	25.7%
Aa1 through Aa3	2,576	3.6%	3,119	3.0%
A1 through A3	16,364	22.8%	20,940	20.1%
Baa1 through Baa3	11,320	15.7%	16,583	15.9%
Unrated	22,225	30.9%	36,722	35.3%
Total fixed income securities	$ 71,878	100.0%	$ 104,142	100.0%

*Majority of securities rated by Moody's. Some may have been rated by other agencies.

Concentration of Credit Risk: Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Board employs and supervises an investment performance evaluation consultant to assist in the selection and evaluation of one or more investment managers, the establishment of investment objectives and guidelines, and the allocation of Plan assets among various assets.

The Master Statement defines risk in four categories of investment types: (1) domestic equities, (2) fixed income, (3) international equities and (4) alternative equities. The Master Statement states no investment manager may concentrate more than 5.0 percent of investments in any one issuer, except the United States government and agencies. The maximum exposure to American

Note 4. Investments (Continued)

depository receipts is limited to 5.0 percent of each domestic equity manager portfolio. In addition, no manager may concentrate more than 30.0 percent of the assets under management, at market value, in any one sector. The exhibit below reflects the investments which have a greater than 5.0 percent concentration.

(Dollars in Thousands)	Dec. 31, 2017		
5.0% Issuer	Fair Value	Percentage of Fixed Income Investments	Policy Limit
Federal National Mortgage Association	$ 14,078	19.6%	N/A

(Dollars in Thousands)	Dec. 31, 2016		
5.0% Issuer	Fair Value	Percentage of Fixed Income Investments	Policy Limit
Federal National Mortgage Association	$ 23,972	23.0%	N/A

The following table presents the fair value of equity investments representing 5 percent or more of the Plan's net position separately identified at Dec. 31, 2017, and Dec. 31, 2016:

(Dollars in Thousands)

Investment Concentration 5% or More	Dec. 31, 2017	Dec. 31, 2016
Russel 1000 Value Fund	$ 57,629	$ 50,629
Pyrford International Trust	46,061	38,572
Invesco International Growth	36,392	29,227
Rimrock High Income Plus Fund, Ltd	21,420	20,329

Foreign Currency Risk: Foreign currency risk is the risk changing exchange rates will adversely affect the fair value of an investment. The Plan's Master Statement does not include an official policy for the management of foreign currency risk. It does, however, allow for hedging back to the U.S. dollars using forward foreign exchange contracts. Investment managers may hedge up to 100 percent of the foreign currency exposure of the portfolio. Commercial and investment banks used for hedging transactions must be rated A/A2 or better by S&P or Moody's, respectively. As of Dec. 31, 2017, and Dec. 31, 2016, the Plan had investments in mutual funds with exposure to foreign currency risk of $91.7 million and $68.7 million, respectively. The funds that compose the foreign currency risk totals are the Invesco International Growth, GQG Partners Emerging Markets Equity, Pyrford International Trust; various equities and fixed income securities held in the custodial account; however, the U.S. investments were removed from the exhibit and

Note 4. Investments (Continued)

the totals below will not agree with the sum of the fund balances presented elsewhere in the financial statements.

(Dollars in Thousands)

Currency by Investment and Fair Value (reflected in US Dollars)	Dec. 31, 2017	Dec. 31, 2016
Euro	$ 20,891	$ 17,833
Great Britain, Pound Sterling	14,815	12,023
Switzerland, Franc	9,551	8,872
Australia, Dollar	7,082	5,059
Japan, Yen	6,081	5,434
Hong Kong, Dollar	5,266	3,721
Canada, Dollar	4,764	3,941
Singapore, Dollar	4,734	2,023
Sweden, Krona	2,636	2,846
Brazil, Brazilian Real	2,547	468
Taiwan, Dollar	2,538	2,080
Korea (South), Won	1,849	260
Malaysia, Ringgit	1,437	1,011
Thailand, Baht	1,053	438
Indonesia, Rupiah	1,029	-
Norway, Krone	917	752
Russian Ruble	905	-
Other	3,601	1,930
Total Investment Fair Value	$ 91,696	$ 68,691

Money-Weighted Rate of Return: For the year ended Dec. 31, 2017, and the period ended Dec. 31, 2016, the annual money-weighted rates of return on pension plan investments were 11.1 percent and 3.8 percent, respectively. The money-weighted rates of return express investment performance, net of investment expenses, adjusted for the changing amount actually invested.

Custodial Credit Risk-Investment Risk: This is the risk that in the event of the failure of the counterparty, the entity will not be able to recover the value of its investments or collateral securities in the possession of the outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the entity’s name and are held by a counterparty. The Plan has custodial accounts registered in the name of the Plan with discretion over those accounts. These investments are uninsured. The total fixed income securities for the year ended Dec. 31, 2017 was $71.9 million and for the period ended Dec. 31, 2016 was $104.1 million. The total amount of equity securities for the year ended Dec. 31, 2017 was $73.3 million and for the period ended Dec. 31, 2016 was $74.0 million.

Note 5. Tax Status

The Plan obtained its latest determination letter dated Feb. 27, 2015, in which the Internal Revenue Service stated the Plan and related trust, as then designed, were in compliance with the applicable requirements of the Internal Revenue Code and, therefore, not subject to tax. The Plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974.

Note 6. Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible changes in the values of investment securities will occur in the near term, and those changes could materially affect the amounts reported in the statements of fiduciary net position.

Plan contributions are made, and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is reasonably possible changes in these estimates and assumptions in the near term would be material to the financial statements.

Note 7. Subsequent Events

The Plan has evaluated subsequent events through April 27, 2018, the date the financial statements were available to be issued and there were no entries or subsequent events to be disclosed.

Required Supplementary Information

LOWER COLORADO RIVER AUTHORITY RETIREMENT PLAN AND TRUST
SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS (UNAUDITED)
For the Years and Periods Ending March 31, 2014 through Dec. 31, 2017

A. Schedule of Changes in Employer's Net Pension Liability and Related Ratios for the Last 10 Plan Years [1]
(Dollars in Thousands)

	Plan Year Ending Dec. 31, 2017	Nine Months Ending Dec. 31, 2016 [3]	Plan Year Ending March 31, 2016	Plan Year Ending March 31, 2015	Plan Year Ending March 31, 2014
1. Total Pension Liability					
a. Service cost	$ 6,132	$ 4,957	$ 6,446	$ 7,154	$ 7,161
b. Interest cost	40,899	30,129	38,136	37,738	37,177
c. Purchase of optional credited service	238	620	1,231	373	1,214
d. Difference between expected and actual experience	985	7,648	4,585	(6,402)	-
e. Changes in assumptions	-	12,369	21,020	-	-
f. Benefit paid to participants	(44,837)	(27,476)	(38,088)	(32,881)	(43,798)
g. Plan amendments	-	-	130	219	-
h. Net change in total pension liability	3,417	28,247	33,460	6,201	1,754
i. Total pension liability, beginning of period	579,488	551,241	517,781	511,580	509,826 [2]
j. Total pension liability, end of period	582,905	579,488	551,241	517,781	511,580
2. Plan Fiduciary Net Position					
a. Contributions by employer	22,892	15,099	21,063	27,496	31,210
b. Contributions by participants	238	620	1,231	373	1,214
c. Net investment income	43,708	14,851	815	22,901	39,848
d. Benefit paid to participants	(44,837)	(27,476)	(38,088)	(32,881)	(43,798)
e. Administrative and other expenses	(316)	(9)	(4)	(319)	(238)
f. Net change in plan fiduciary net position	21,685	3,085	(14,983)	17,570	28,236
g. Plan fiduciary net position, beginning of period	403,120	400,035	415,018	397,448	369,212
h. Plan fiduciary net position, end of period	$ 424,805	$ 403,120	$ 400,035	$ 415,018	$ 397,448
3. Employer's Net Pension Liability [Item 1(j) - 2(h)]	$ 158,100	$ 176,368	$ 151,206	$ 102,763	$ 114,132
4. Plan Fiduciary Net Position as a Percentage of Total Pension Liability	72.9%	69.6%	72.6%	80.2%	77.7%
5. Covered Payroll	$ 112,700	$ 91,427	$ 122,108	$ 127,029	$ 123,227
6. Employer's Net Pension Liability as a Percentage of Covered Payroll	140.3%	192.9%	123.8%	80.9%	92.6%

Notes to Schedule:

[1] This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only available information is shown. Amounts recognized in the plan year represent changes between the current and prior measurement dates.

[2] Determined from the ending total pension liability using the rollback procedure allowed for the initial year of implementing GASB 67.

[3] The plan year has been changed to end as of Dec. 31 of 2016 and all future years. This change was done to allow for more efficient year-end required reporting that is better aligned to a calendar year reporting cycle.

B. Schedule of Employer Contributions for the Last 10 Plan Years [1]
(Dollars in Thousands)

	Plan Year Ending Dec. 31, 2017	Nine Months Ending Dec. 31, 2016	Plan Year Ending March 31, 2016	Plan Year Ending March 31, 2015	Plan Year Ending March 31, 2014
1. Actuarially determined contribution (ADC)	$ 18,580	$ 13,935	$ 16,969	$ 19,307	$ 20,892
2. Contributions in relation to the actuarially determined contribution	22,892	15,099	21,063	27,496	31,210
3. Contribution deficiency (excess)	$ (4,312)	$ (1,164)	$ (4,094)	$ (8,189)	$ (10,318)
4. Covered payroll	$ 112,700	$ 91,427	$ 122,108	$ 127,029	$ 123,227
5. Contribution as a percentage of covered payroll	20.3%	16.5%	17.2%	21.6%	25.3%

Notes to Schedule:
Actuarially determined contribution amount for each plan year was calculated in the actuarial valuation at the beginning of the year. Methods and assumptions used to determine the actuarially determined contribution:

Actuarial Method cost method	Entry age
Amortization method	Level amount, closed period
Remaining amortization period	20, 21 years respectively for years ending Dec. 31, 2017, 2016; 22, 23, and 24 years, respectively, for the years ending March 31, in 2016, 2015, and 2014.
Asset valuation method	5-year smoothed market
Inflation	2.75% for years ending Dec. 31, 2017, 2016; 3.3% for the years ending March 31, in 2016, 2015, and 2014.
Salary increases	3.25% plus merit and promotion increases that vary by age and service for year ending Dec. 31, 2017, 2016; 4.0% plus merit and promotion increases that vary by age and service for the year ending March 31, in 2016, 2015, and 2014.
Investment rate of return	7.25% for the year ending Dec. 31, 2017, 2016; 7.5%, net of pension plan investment expense, for the years ending March 31, in 2016, 2015, and 2014.
Retirement age	rates that vary by age and service
Mortality	RP-2000 Combined Healthy Mortality Table for males and for females (sex distinct) projected to cover 2018 by scale AA for the years ending March 31, in 2016, 2015, and 2014 and to 2014 by scale AA for years ending Dec. 31, 2017, 2016.

[1] This schedule is presented to illustrate the requirement to show information for 10 years. Until a full 10-year trend is compiled, only available information is shown.

C. Schedule of Investment Returns for the Last 10 Years [1]

Plan Year Ending	Annual Money-Weighted Net Rate of Return [2]
Dec. 31, 2017	11.1%
Dec. 31, 2016 [3]	3.8%
March 31, 2016	0.2%
March 31, 2015	5.8%
March 31, 2014	11.0%

[1] Until a full 10-year trend is compiled, only available information is shown.

[2] The money-weighted average rate of return expresses investment performance, net of investment expenses, reflecting the estimated effect of the contributions received and the benefits paid during the year.

[3] This is the rate of return for the short plan year of nine months, the transition year to the plan years ending Dec. 31.