

**AGENDA**

**INVESTMENT AND FINANCE COMMITTEE MEETING  
LEUCADIA WASTEWATER DISTRICT**

December 9, 2014 – 9:00 a.m.  
1960 La Costa Avenue, Carlsbad, CA 92009


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1. **Call to Order**
2. **Roll Call**
3. **Public Comment**
4. **New Business**
  - A. Recommend that the Board of Directors Receive and file the Fiscal Year 2014 Comprehensive Annual Financial Report (CAFR).  
(Pages 1-6, Enclosure)
5. **Information Items**

None.
6. **Director's Comments**
7. **General Manager's Comments**
8. **Adjournment**

MEMORANDUM

Ref: 15-4297

**DATE:** December 3, 2014  
**TO:** Investment and Finance Committee  
**FROM:** Paul J. Bushee, General Manager   
**SUBJECT:** Fiscal Year 2014 (FY 14) Comprehensive Annual Financial Report

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**RECOMMENDATION:**

Staff requests that the Investment and Finance Committee (IFC) recommend that the Board of Directors:

1. Receive and File the Fiscal Year 2014 Comprehensive Annual Financial Report (CAFR).
2. Discuss and take other action, as appropriate.

**DISCUSSION:**

State law requires the Leucadia Wastewater District (LWD) to prepare a complete set of financial statements in conformance with generally accepted accounting principals (GAAP). The law also requires that the financial statements be audited in accordance with generally accepted auditing standards. For LWD, these documents collectively take the form of LWD's annual financial audit.

LWD prepares a more comprehensive financial audit, which is known as a Comprehensive Annual Financial Report or CAFR. This year's CAFR includes the following sections:

- Introductory section that includes the letter of transmittal
- A Financial section that includes the Independent Auditor's Report, Management's Discussion and Analysis, Basic Financial Statements and notes, and supplemental information
- Statistical section that includes cost and revenue comparisons for the past 10 years.

The accounting firm of White Nelson Diehl Evans LLP has completed its audit of LWD's FY 14 CAFR. Staff is pleased to report that the auditors found that the financial statements fairly represent LWD's financial condition and is in conformance with GAAP.

Attached for the committee's information is the draft Audit Committee Letter which provides information about the auditor's responsibilities under generally accepted auditing standards. Also provided is a draft copy of the full CAFR which is enclosed for your review.

Staff along with Mr. Harvey Schroeder and Mr. David Forman of White Nelson Diehl Evans LLP will present an overview of the CAFR at the upcoming meeting.

cal:PJB

Attachment  
Enclosure

Board of Directors  
Audit Committee  
Leucadia Wastewater District  
Carlsbad, California

We have audited the financial statements of the Leucadia Wastewater District for the year ended June 30, 2014, and have issued our report thereon dated December 1, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 12, 2014. Professional standards also require that we communicate to you the following information related to our audit.

**Significant Audit Findings:**

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Leucadia Wastewater District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year ended June 30, 2014. We noted no transactions entered into by the Leucadia Wastewater District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

## **Significant Audit Findings (Continued):**

### Qualitative Aspects of Accounting Practices (Continued)

The most sensitive estimates affecting the financial statements were:

- a. Management's estimate of the fair market value of investments which is based on market values by outside sources.
- b. The estimated useful lives for capital assets which are based on industry standards.
- c. The annual required contribution for the District's Other Post Employment Benefit Plan is based on certain actuarial assumptions and methods.
- d. The funded status and funding progress of the public defined benefit plan with CalPERS which are based on actuarial valuations.

We evaluated the key factors and assumptions used to develop these estimates in determining that they were reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was reported in Note 9 regarding the defined benefit pension plan and Note 10 regarding Other Post-Employment Benefits.

The financial statement disclosures are neutral, consistent, and clear.

### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### Corrected and Uncorrected Adjustments

Professional standards require us to accumulate all known and likely adjustments identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. As a result of our audit related test work, we proposed no corrections to the financial statements that, in our judgment, had a significant effect on the District's financial reporting process.

### Disagreements with Management

For the purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

### Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 1, 2014.

### Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Leucadia Wastewater District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Leucadia Wastewater District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

We applied certain limited procedures to management's discussion and analysis and Other Post-Employment Benefit Plan – schedule of funding progress, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Combining Schedule of Changes in Net Assets and the Combining Schedule of Operating Revenues and Expenses in the Supplementary Information for the years ended June 30, 2014 and June 30, 2013, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Other Matters (Continued)

We were not engaged to report on the Introductory Section, the Schedule of Use of Capacity Charges in the Supplementary Information and the Statistical Section, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the Board of Directors, Audit Committee and management of the Leucadia Wastewater District and is not intended to be and should not be used by anyone other than these specified parties.

*White Nelson Dick Evans LLP*

Carlsbad, California

December 1, 2014