

LEUCADIA WASTEWATER DISTRICT
Minutes of an Investment & Finance Committee Meeting
December 1, 2015

A meeting of the Investment & Finance Committee (IFC) of the Leucadia Wastewater District (LWD) was held Tuesday, December 1, 2015 at 8:30 a.m. at the District Administration Office at 1960 La Costa Ave., Carlsbad, California.

1. Call to Order

Chairperson Hanson called the meeting to order at 8:30 a.m.

2. Roll Call

DIRECTORS PRESENT: Hanson and Omsted

DIRECTORS ABSENT: None

OTHERS PRESENT: General Manager Paul Bushee, Administrative Services Manager Chuck LeMay, Executive Assistant Trisha Hill, CPA Richard Duffey with Brownell and Duffey, CPA Harvey Schroeder and CPA David Forman of White Nelson Diehl Evans LLP and Marilyn Jones of Nyhart.

3. Public Comment

No public comment was received.

4. New Business

- A. Recommend that the Board of Directors Receive and file the Actuarial Valuation of LWD's Retiree Health Program as of June 30, 2015.

ASM LeMay stated that LWD recently completed an actuarial valuation required by Government Accounting Standards Board (GASB) statements Nos. 43 and 45 for its retiree health program. He also indicated that these statements required agencies such as LWD to accrue and expense liabilities associated with other post-employment benefits (OPEB). He noted that Ms. Marilyn Jones of Nyhart will present an overview of the report.

Ms. Marilyn Jones presented an overview of the report including the key assumptions used in the valuation and how these assumptions affect the calculation of the annual required contribution (ARC) calculation. She noted that the District's ARC for FY 2014/2015 is \$10,174. She also explained in detail that the ARC increased due to the changes in assumptions and the new requirement to identify the implicit rate subsidy which considers the valuation of medical costs between retirees and active employees. She added that the plan is approximately 96% funded.

She also discussed the impact of the "Cadillac tax" that is scheduled to take effect in 2018. She noted that the tax will result in an additional financial liability for the employer.

GM Bushee also provided detailed background information about the OPEB valuation process indicating that the District pre-funded its initial actuarial liabilities in 2008 with a deposit of approximately \$177,000 into the California Retirees Benefit Trust (CERBT). Since that time the funds have increased due to higher interest returns. He added that the 2013 actuarial report stated that the account was over 100% funded, but due to the changes in the actuarial valuation assumptions, this year's report indicates that it's now slightly under funded.

The committee asked several questions including clarification on the implicit rate subsidy. Ms. Jones answered their questions.

Following discussion, the IFC concurred with staff to recommend that the Board of Directors receive and file the LWD Actuarial Valuation as of June 30, 2015 at the December Board meeting under the consent calendar.

B. Recommend that the Board of Directors Receive and file the Fiscal Year 2015 (FY15) Comprehensive Annual Financial Report (CAFR).

CPA Duffey provided a summary of the CAFR highlighting Management's Discussion and Analysis (MD&A).

CPA Duffey explained the impact of the GASB 68 and its impacts on the District's unrestricted Replacement Reserve account.

CPA Duffey introduced David Forman of White Nelson Diehl Evans, LLP to provide a summary of the Audit Financials.

Mr. Forman stated that the auditor's internal report indicated that the audit was a clean, unqualified opinion for the year ending FY15. He also provided a summary of GASB 68 and how it affects the net position. Mr. Forman further explained the deferred inflows and outflows in the CAFR and noted that the CalPERS' pool earned more than expected during FY13 and FY14 bringing its funding level to 83%.

Mr. Harvey Schroeder then presented additional information of the Basic Financial Statements. He explained that this year's audit does not show a comparison with the prior year due to GASB 68. He also presented the highlights of the statements noting that cash decreased \$2.3 million due primarily to District's capital improvement expenses. He added that current liabilities also decreased.

Vice President Omsted asked how the District will plan for future retiree funding. GM Bushee explained that the District will continue to fund the PERS retirement on a "pay as you go" plan as it always has. GM Bushee indicated that if PERS does not meet their estimated funding goals in the future there would likely be an increase to the District's PERS contribution.

Vice President Omsted asked what sections of the CAFR are the auditor's responsibilities and how do auditors find weakness in internal controls. Mr. Schroeder explained the auditors and staff responsibilities. He also explained how the auditors conduct their audit by testing the District's financial documents and internal control procedures.

Mr. Schroeder thanked the IFC for choosing their firm to conduct the FY15 audit.

Following discussion, the IFC agreed with staff to recommend that the Board of Directors receive and file the FY15 CAFR.

5. Information Items

None.

6. Directors' Comments

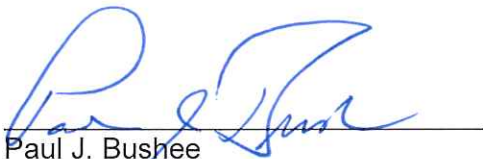
None.

7. General Manager's Comments

None.

8. Adjournment

Chairperson Hanson adjourned the meeting at 10:14 a.m.



Paul J. Bushee
Secretary/General Manager
(Seal)