

**MOORPARK CITY COUNCIL
AGENDA REPORT**

TO: Honorable City Council

FROM: Ron Ahlers, Finance Director 

DATE: June 18, 2013 (City Council Meeting of July 17, 2013)

SUBJECT: Consider Report of the 2012-2013 Grand Jury "Government Accounting Standards Board"

SUMMARY

On January 3, 2013, the Grand Jury sent a letter to the Mayor requesting information regarding the City's compliance with certain Government Accounting Standards Board (GASB) statements. On January 31, 2013, the City replied to the Grand Jury. On May 7, 2013, the Grand Jury issued their report stating the City is in compliance with the GASB statements. The City is required to respond in writing to the Findings and Recommendations contained in the report. The attached memo, written for the Mayor to sign, is the City's official response.

DISCUSSION

On January 3, 2013, the Grand Jury sent a letter to the Mayor requesting information (Attachment A):

The Government Accounting Standards Board (GASB) has issued several statements with guidelines for State and local municipalities to list the liabilities associated with obligations in their financial statements. The attached survey is to determine if your city is in compliance with GASB Statements numbers 27, 50, 67, 68 and 45 and to determine the extent of your current funded and unfunded liabilities, their ongoing obligations and what action your city is taking to manage the health care and pension benefit costs.

On January 31, 2013, the City replied to the request for information (Attachment B).

On May 7, 2013, the Grand Jury issued their report (Attachment C). The City of Moorpark was determined to be in compliance with the GASB statements. Finding FI-

03 states, "The Grand Jury finds that the City of Moorpark is in substantial compliance with GASB reporting requirements. (FA 01-03)" The Recommendation states, "It is recommended that the cities in Ventura County continue to remain in compliance with GASB statements and implement future and revised GASB Statements on or before their effective date."

The attached letter responds to the Grand Jury report (Attachment D).

FISCAL IMPACT

None.

STAFF RECOMMENDATION

Receive and file Grand Jury report and authorize the Mayor to sign the response letter from the City of Moorpark.

Attachments:

- A Grand Jury request letter dated January 3, 2013
- B City of Moorpark response letter dated January 31, 2013
- C Grand Jury report dated May 7, 2013
- D City of Moorpark response letter to the Grand Jury report

county of ventura

Grand Jury
800 South Victoria Avenue
Ventura, CA 93009
(805) 477-1600
Fax: (805) 668-4523

grandjury.countyofventura.org

January 3, 2013

The Honorable Janice S. Parvin
Mayor of Moorpark
799 Moorpark Avenue
Moorpark, California 93021

Subject: The Government Accounting Standards Board (GASB)

Dear Mayor Parvin:

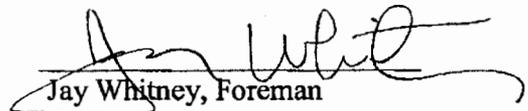
The Civil Grand Jury of Ventura County requests that you complete the attached questionnaire and return within thirty days from the date on this letter.

The Government Accounting Standards Board (GASB) has issued several statements with guidelines for State and local municipalities to list the liabilities associated with obligations in their financial statements. The attached survey is to determine if your city is in compliance with GASB Statement numbers 27,50,67,68 and 45 and to determine the extent of your current funded and unfunded liabilities, their ongoing obligations and what action your city is taking to manage the health care and pension benefit costs.

Thank you for your attention to our request.

Sincerely,


Robert Peskay, Chairman
Audit & Finance Committee
robert.peskay@Ventura.org


Jay Whitney, Foreman
2012-2013 Ventura County Grand Jury
jay.whitney@Ventura.org

ec: HCC, CM
c: FD, FI

**Ventura County Cities; Pensions & Health Care Benefits Liabilities
The Government Accounting Standards Board (GASB) Questionnaire**

1. Active Employees

- a. Are health care and pension benefits provided to current active employees?
- b. If yes, what are the annual costs for the health care and pension benefits for these employees?
- c. If yes, what percent of the annual benefits premiums do the employees pay?

2. Dependents of active Employees

- a. Are health care and/or pension benefits provided for dependents of current active employees?
- b. If yes, what are the annual costs for the health care and/or pension benefits for these dependents?
- c. If yes, what percent of the annual pension benefits premiums do the employees retirees pay and what is the number of dependents receiving these benefits?

3. Retired Employees

- a. Are health care and/or pension benefits provided to current retired Employees?
- b. If yes, what are the annual costs for the health care and/or pension benefits for these retired employees?
- c. If yes, what percent of the annual benefits premiums do the retired employees pay?
- d. What is the number of dependents receiving these benefits?

4. Dependents of Retired Employees

- a. Are health care benefits provided to for dependents of current retired employees?
- b. If yes, what are the annual costs these dependents of retired employees?
- c. If yes, what percent of the annual pension benefits premiums do the retirees pay
- d. If yes, what is the number of dependents receiving these benefits?

5. Cost

- a. Are the health care and pension benefits plans fully funded?
- b. If no, what is the estimated dollar amount of any unfunded accrued benefits liability?
- c. What is the Annual Required Contribution (ARC)?



CITY OF MOORPARK

Attachment B

FINANCE DEPARTMENT | 799 Moorpark Avenue, Moorpark, California 93021
Main City Phone Number (805) 517-6200 | Fax (805) 532-2545 | moorpark@ci.moorpark.ca.us

January 31, 2013

Ventura County Grand Jury
Jay Whitney, Foreman
800 South Victoria Avenue
Ventura, CA 93009

Subject: The Government Accounting Standards Board (GASB)

Dear Mr. Whitney:

The City of Moorpark is responding to your request for information letter dated January 3, 2013. The City provides medical, dental and vision insurance for active employees. Retirees may choose to enroll in the CalPERS medical insurance plan only. Retirees are not eligible to receive dental and vision insurance coverage. As such, the health care answers below refer only to the CalPERS medical insurance program.

1) Active Employees

a) Are health care and pension benefits provided to current active employees?

Yes

b) If yes, what are the annual costs for the health care and pension benefits for these employees?

Health care \$742,518

Pension benefits \$852,953 - the City pays the employer rate of 10.806% and the employee rate of 7.0%.

c) If yes, what percent of the annual benefits premiums do the employees pay?

Health Care 4% on the aggregate based on CalPERS medical plan selected by each eligible employee. The basic benefit is currently the City pays up to 90% of the cost of the family rate for the PERS Choice medical plan for the majority of active employees.

Pension 0%

2) Dependents of active Employees

a) Are health care and/or pension benefits provided for dependents of current active employees?

The City does not specifically pay for the health care and pension benefits of dependents. The CalPERS program allows each eligible employee the option of providing medical insurance and pension benefits for their dependents.

- b) If yes, what are the annual costs for the health care and/or pension benefits for these dependents?

Health Care \$339,193 out of the \$742,518 in question (1b) above.

The City does not specifically pay for the pension benefits of dependents. The CalPERS program allows each prospective retiree the option of providing a pension amount for dependents after they die. If you would like additional information please contact CalPERS for an answer to this question concerning pension benefits. Website address is www.calpers.ca.gov

- c) If yes, what percent of the annual pension benefits premiums do the employees retirees pay and what is the number of dependents receiving these benefits?

If a retiree elects to provide a pension amount to a dependent(s) then the retiree receives a reduced pension amount. We do not have this demographic data. For this information please contact CalPERS for an answer to this question concerning pension benefits. Website address is www.calpers.ca.gov

3) Retired Employees

- a) Are health care and /or pension benefits provided to current retired Employees?

Yes

- b) If yes, what are the annual costs for the health care and/or pension benefits for these retired employees?

Health Care \$10,752. This is the 2012 CalPERS statutory minimum contribution by the employer of \$112 per month per retiree (California Government Code 22892). Currently, there are eight retirees enrolled in the medical insurance program.

The City does not specifically pay for pension benefits for current retired employees. Please contact CalPERS for an answer to this question concerning pension benefits. Website address is www.calpers.ca.gov

- c) If yes, what percent of the annual benefits premiums do the retired employees pay?

Health Care 83% on the aggregate.

- d) What is the number of dependents receiving these benefits?

The CalPERS medical insurance program allows retirees to enroll dependents on the medical plan. The City does not pay for dependent coverage. The City contributes the statutory minimum required of \$112 per month per retiree for calendar year 2012. This amount is for the retiree only.

- 4) Dependents of Retired Employees
- a) Are health care benefits provided to/for dependents of current retired employees?
Yes ~ same answer as 3d) above.
 - b) If yes, what are the annual costs these dependents of retired employees?
The cost to the City is zero.
 - c) If yes, what percent of the annual pension benefits premiums do the retirees pay?
The retirees do not pay for pension benefits post retirement with the exception of statutory minimum amount for medical insurance. For additional information please contact CalPERS for an answer to this question concerning pension benefits. Website address is www.calpers.ca.gov
 - d) If yes, what is the number of dependents receiving these benefits?
The City does not know the number of dependents on the pension system. Please contact CalPERS for an answer to this question concerning pension benefits. Website address is www.calpers.ca.gov
- 5) Cost
- a) Are the health care and pension benefits plans fully funded?
Health Care: Yes
Pension Benefits: No
 - b) If no, what is the estimated dollar amount of any unfunded accrued benefits liability?
Please contact CalPERS for an answer to this question concerning pension benefits. Website address is www.calpers.ca.gov
 - c) What is the Annual Required Contribution (ARC)?
Health Care Annual Required Contribution (ARC) is for current eligible employees and retirees. The annual amount is \$37,000.
Based on the current payroll the pension benefit Annual Required Contribution (ARC) for calendar year 2012 is \$488,328.

Sincerely,



RON AHLERS
Finance Director

Cc: Honorable Mayor and Councilmembers
Steven Kueny, City Manager
Hugh Riley, Assistant City Manager
Debbie Traffenstedt, Deputy City Manager

RECEIVED
MAY 07 2013
CITY CLERK'S DIVISION
CITY OF MOORPARK

Grand Jury
800 South Victoria Avenue
Ventura, CA 93009
(805) 477-1600
Fax: (805) 477-1610

grandjury.countyofventura.org

county of ventura

May 7, 2013

The Hon. Janice Parvin
City of Moorpark
799 Moorpark Ave.
Moorpark, CA 93021

Re: Report of the 2012-2013 Grand Jury "Government Accounting Standards Board"

Dear Mayor Parvin:

Enclosed please find a copy of the report of the 2012-2013 Grand Jury. It is provided two working days prior to the public release of same in accordance with provisions of Penal Code 933.05(f). Please note that under the provisions of that code section no officer, agency, department, or governing body of a public agency shall disclose any contents of the report prior to public release by the Grand Jury.

The Grand Jury requires that you respond in writing to the Findings and Recommendations contained in the report pursuant to Penal Code 933(c)(d). Penal Code sections 933.05(a) and 933.05 (b) are specific to the format of the responses and a form is attached for that purpose. Please submit your response within 90 days to Hon. Brian J. Back, Presiding Judge of the Superior Court. Responses are public records and the clerk of the City Council must maintain a copy of your response.

Thank you for your attention to our report. On behalf of the Grand Jury I respectfully request a copy of your response. Kindly contact me with any questions.

Sincerely,


Jay Whitney, Foreperson
2012-2013 Ventura County Grand Jury
(805) 477-1600
Jay.Whitney@ventura.org

e-confidential: HCC/CM
C: CM | FD | File 1

Ventura County Grand Jury 2012 - 2013



Final Report

Government Accounting Standards Board

April 25, 2013

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Government Accounting Standards Board

Summary

The 2012-2013 Ventura County Grand Jury (Grand Jury) opened an investigation of the Governmental Accounting Standards Board (GASB) as a result of a Public Complaint (PC). The Grand Jury canvassed the ten cities in Ventura County with a questionnaire (ATT: 01) based on GASB statements 27, 45, 50, 67 and 68. (FA: 02). The questionnaire was intended to determine how the cities are reporting the costs of pensions and healthcare for active employees, retirees and their dependents.

GASB is a private organization that works to create and improve the rules that governments follow when accounting for their finances and reporting them to the public. GASB does not have the power to enforce compliance with the standards it promulgates. However, legislation in many states requires compliance with GASB standards. (California is not one of them) Governments usually are expected to prepare financial statements in accordance with those standards. GASB provides clear accounting for governmental finances by moving the information from the footnotes and including it in the financial report.

The principle users of the information in GASB are the citizens, legislative bodies, oversight groups, investors and creditors. GASB determines the ability of the Government to provide services and repay its debt. A significant use for these reports is to compare actual financial data with budgets that have been adopted, to assess financial conditions and operations.

The finding of the Grand Jury is that all ten cities in Ventura County are following the intent and requirements of the GASB statements surveyed. The Grand Jury recommends that the cities continue to remain in compliance with GASB statements and implement future and revised GASB statements on or before their effective dates.

Background

GASB was organized in 1984 under the auspices of the Financial Accounting Foundation to establish financial accounting and reporting standards for state and local government entities. These standards are important because external financial reporting can reveal financial accountability to the public. They are the basis for decisions, as well as investment and credit policies.

GASB's mission is to establish and improve standards of state and local governmental accounting and financial reporting that will result in useful information for users of financial reports and guide and educate the public, including issuers, auditors, and users of those financial reports. To accomplish its mission, GASB acts to:

- issue standards that improve the usefulness of financial reports based on (a) the needs of financial report users, (b) the primary characteristics of understandability, relevance, and reliability, and (c) the qualities of comparability and consistency
- keep standards current to reflect changes in the governmental accounting environment
- provide guidance on implementation of standards
- consider significant areas of accounting and financial reporting that can be improved through the standard-setting process
- improve the common understanding of the nature and purposes of information contained in financial reports

GASB formulates and uses concepts to guide them in the development of their standards. These concepts provide a frame of reference for resolving accounting and financial reporting issues.

This framework helps to establish reasonable boundaries for judgment in preparing and using financial reports. It also helps the public understand the nature and limitations of financial reporting. GASB actively solicits and considers the views of its various constituencies on accounting and financial reporting issues. GASB's activities are open to public participation and observation under "due process" procedures. These procedures are designed to permit timely, thorough, and open study of accounting and financial reporting issues.

Consequently, broad public participation is encouraged in the accounting standard-setting process, which permits communication of all points of view and expressions of opinion at all stages of the process. Use of these procedures recognizes that general acceptance of the GASB conclusions is enhanced by demonstrating that the comments received during due process are considered carefully.

Methodology

The Grand Jury canvassed the ten cities in Ventura County with a questionnaire (ATT: 01) based on GASB statements 27, 45, 50, 67 and 68. (FA: 02) This questionnaire was submitted to the ten cities in Ventura County and a response was received from all ten cities. There was no intent to measure to what extent each city uses or documents GASB. The primary intent of the questionnaire was to ascertain that each city implements the accounting principles as set out by GASB. A copy of the questionnaire is provided as an attachment to this report. (ATT: 01)

Facts

FA-01 Statements are issued by GASB to set Generally Accepted Accounting Principles (GAAP) for state and local government entities. [Ref – 01]

FA-02 The five statements addressed in this report are: [Ref:-02]

- **GASB Statement 27** (Issued 11/94)
 - Accounting for Pensions by State and Local Governmental Employers,
 - effective after June 15, 1997

- **GASB Statement 45** (Issued 6/04)
 - Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions (OPEB)
 - The requirements of this Statement are effective in three phases based on a government's total annual revenues in the first fiscal year ending after June 15, 1999
 - Governments that were phase 1 governments for the purpose of implementation of Statement 34—those with annual revenues of \$100 million or more—are required to implement this Statement in financial statements for periods beginning after December 15, 2006

 - Governments that were phase 2 governments for the purpose of implementation of Statement 34—those with total annual revenues of \$10 million or more but less than \$100 million—are required to implement this Statement in financial statements for periods beginning after December 15, 2007

 - Governments that were phase 3 governments for the purpose of implementation of Statement 34. Those with total annual revenues of less than \$10 million—are required to implement this Statement in financial statements for periods beginning after December 15, 2008.

 - Earlier application of this Statement is encouraged. All component units should implement the requirements of this Statement no later than the same year as their primary government.

- **GASB Statement 50** (Issued 05/07)
 - Pension Disclosures are an amendment of GASB Statements No. 25 and No. 27.

- Effective date: For periods beginning after June 15, 2007, except for requirements related to the use of the entry age actuarial cost method for the purpose of reporting surrogate funded status and funding progress information for plans that use the aggregate actuarial cost method, which are effective for periods for which the financial statements and required supplementary information contain information resulting from actuarial valuations as of June 15, 2007, or later.

- **GASB Statement No. 67** (Issued 06/12)
Financial Reporting for Pension Plans is an amendment of GASB Statement No. 25. - The provisions of Statement 67 are effective for financial statements for fiscal years beginning after June 15, 2013. Earlier application is encouraged.

- **GASB Statement No. 68** (Issued 03/12)
Technical Corrections are an amendment of GASB Statements No. 10 and No. 62 - Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged.

FA-03 The ten cities in Ventura County each provided documentation requested by the Grand Jury that demonstrates compliance with and reporting to the requirements of the five GASB Statements.

Findings

- FI-01** The Grand Jury finds that the City of Camarillo is in substantial compliance with GASB reporting requirements. (FA 01-03)

- FI-02** The Grand Jury finds that the City of Fillmore is in substantial compliance with GASB reporting requirements. (FA 01-03)

- FI-03** ~~The Grand Jury finds that the City of Moorpark is in substantial compliance with GASB reporting requirements. (FA 01-03)~~

- FI-04** The Grand Jury finds that the City of Ojai is in substantial compliance with GASB reporting requirements. (FA 01-03)

- FI-05** The Grand Jury finds that the City of Oxnard is in substantial compliance with GASB reporting requirements. (FA 01-03)

- FI-06** The Grand Jury finds that the City of Port Hueneme is in substantial compliance with GASB reporting requirements. (FA 01-03)

- FI-07** The Grand Jury finds that the City of Santa Paula is in substantial compliance with GASB reporting requirements. (FA 01-03)

FI-08 The Grand Jury finds that the City of Simi Valley is in substantial compliance with GASB reporting requirements. (FA 01-03)

FI-09 The Grand Jury finds that the City of Thousand Oaks is in substantial compliance with GASB reporting requirements. (FA 01-03)

FI-10 The Grand Jury finds that the City of Ventura is in substantial compliance with GASB reporting requirements. (FA 01-03)

Commendations

All ten cities within Ventura County are commended by the Grand Jury for their detailed and timely responses to the questionnaire indicating their use of the questioned GASB summaries which provide more transparent and detailed information to the citizens and users of the compiled information. (FI- 01 – 10)

Recommendations

It is recommended that the cities in Ventura County continue to remain in compliance with GASB statements and implement future and revised GASB Statements on or before their effective date.

Responses

Response required from:

The City of Camarillo

The City of Fillmore

The City of Moorpark

The City of Ojai

The City of Oxnard

The City of Port Hueneme

The City of Santa Paula

The City of Simi Valley

The City of Thousand Oaks

The City of Ventura

Attachment 01

Government Accounting Standards Board Questionnaire

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Ventura County Cities; Pensions & Health Care Benefits Liabilities
The Government Accounting Standards Board (GASB) Questionnaire

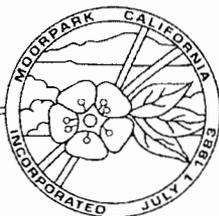
1. Active Employees
 - a. Are health care and pension benefits provided to current active employees?
 - b. If yes, what are the annual costs for the health care and pension benefits for these employees?
 - c. If yes, what percent of the annual benefits premiums do the employees pay?

2. Dependents of active Employees
 - a. Are health care and/or pension benefits provided for dependents of current active employees?
 - b. If yes, what are the annual costs for the health care and/or pension benefits for these dependents?
 - c. If yes, what percent of the annual pension benefits premiums do the employees pay and what is the number of dependents receiving these benefits?

3. Retired Employees
 - a. Are health care and/or pension benefits provided to current retired employees?
 - b. If yes, what are the annual costs for the health care and/or pension benefits for these retired employees?
 - c. If yes, what percent of the annual benefits premiums do the retired employees pay?
 - d. What is the number of dependents receiving these benefits?

4. Dependents of Retired Employees
 - a. Are health care benefits provided to for dependents of current retired employees?
 - b. If yes, what are the annual costs these dependents of retired employees?
 - c. If yes, what percent of the annual pension benefits premiums do the retirees pay
 - d. If yes, what is the number of dependents receiving these benefits?

5. Cost
 - a. Are the health care and pension benefits plans fully funded?
 - b. If no, what is the estimated dollar amount of any unfunded accrued benefits liability?
 - c. What is the Annual Required Contribution (ARC)?



CITY OF MOORPARK

799 Moorpark Avenue, Moorpark, California 93021 | Phone (805) 517-6200 | Fax (805) 532-2528

OFFICE OF THE MAYOR

July 17, 2013

The Superior Court of California
Honorable Brian J. Back
Presiding Judge
800 South Victoria Avenue
Ventura, CA 93009

Ventura County Grand Jury
Jay Whitney, Foreman
800 South Victoria Avenue
Ventura, CA 93009

Subject: Report of the 2012-2013 Grand Jury "Government Accounting Standards Board"

Dear Honorable Brian J. Back, Presiding Judge of the Superior Court:
Dear Honorable Jay Whitney, Foreman:

The City of Moorpark offers the following responses to the Findings and Recommendations of the Grand Jury report, "Government Accounting Standards Board" (GASB).

With regard to the report's finding FI-03, the City of Moorpark agrees with the finding FI-03.

With regard to the report's recommendations, the City of Moorpark has implemented the recommendations. The City will continue to comply with currently applicable GASB statements and intends to implement future and revised GASB statements on or before their effective date.

Sincerely,

JANICE PARVIN
MAYOR, CITY OF MOORPARK

Cc: Honorable Mayor and Councilmembers
Steven Kueny, City Manager
Hugh Riley, Assistant City Manager
Debbie Traffenstedt, Deputy City Manager
Ron Ahlers, Finance Director

Response to Grand Jury Report Form

Report Title: Government Accounting Standards Board

Report Date: April 25, 2013

Response by: Ron Ahlers Title: Finance Director

FINDINGS

- I (we) agree with the findings numbered: FI-03
- I (we) disagree wholly or partially with the findings numbered: _____
(Attach a statement specifying portions of the findings that are disputed, include an explanation of the reasons therefore.)

RECOMMENDATIONS

- Recommendations numbered R-01 have been implemented.
(Attach a summary describing the implemented actions.)
- Recommendations numbered _____ have not yet been implemented, but will be implement in the future.
(Attach a timeframe for the implementation.)
- Recommendations numbered _____ require further analysis.
(Attach an explanation and the scope and parameter of an analysis or study, and a timeframe for the matter to be prepared for discussion by the officer or director of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This timeframe shall not exceed six months from the date of publication of the grand jury report.)
- Recommendations numbered _____ will not be implemented because they are not warranted or are not reasonable.
(Attach an explanation.)

Date: July 17, 2013

Signed: _____

Ron Ahlers

Number of pages attached 1