

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

Commendations

All ten cities within Ventura County are commended by the Grand Jury for their detailed and quick responses to the questionnaire indicating their use of the GASB Summaries which provide more transparent and detailed information to the citizens and users of the compiled information.

References

Ref:-01. Search Financial Applications, Definition of GASB

<http://searchfinancialapplications.techtarget.com/definition/gasb>

Ref:-02. GASB Pronouncements

<http://www.gasb.org/jsp/GASB/Page/GASBSectionPage&cid=1176160042391>

Ref:-03.

The response to the attached Questionnaire provides a positive affirmation that all ten cities within Ventura County are complying with the guidelines and intent of the GASB statements.

Attachments

Att:-01.

Government Accounting Standards Board Questionnaire

Glossary

TERM

GASB

PC

Grand Jury

GAAP

OPEB

DEFINITION

Government Accounting Standards Board

Public Complaint

Ventura County Grand Jury

Generally Accepted Accounting Principles

Other Post-employment Benefits

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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)?