



County of Orange

County Executive Office

August 25, 2015

Honorable Glenda Sanders
Presiding Judge of the Superior Court of California
700 Civic Center Drive West
Santa Ana, CA 92701

Subject: Response to Grand Jury Report, "Unfunded Retiree Healthcare Obligations-A Problem for Public Agencies?"

Dear Judge Sanders:

Per your request, and in accordance with Penal Code 933, please find the County of Orange response to the subject report as approved by the Board of Supervisors. The respondents are the Orange County Board of Supervisors.

If you have any questions, please contact Jessica O'Hare of the County Executive Office at 714-834-7250.

Sincerely,

Frank Kim
County Executive Officer

Enclosure

cc: FY 2014-15 Orange County Grand Jury Foreman
Mark Denny, Chief Operating Officer, County Executive Office
Jessica O'Hare, Assistant to the COO, County Executive Office



**Responses to Findings and Recommendations
2014-15 Grand Jury Report:**

“Unfunded Retiree Healthcare Obligations – A Problem for Public Agencies?”

SUMMARY RESPONSE STATEMENT:

On June 29, 2015, the Grand Jury released a report entitled: “Unfunded Retiree Healthcare Obligations – A Problem for Public Agencies.” This report directed responses to findings and recommendations to the County of Orange, the Orange County Fire Authority, and the Mayors of selected cities which are included below.

FINDINGS AND RESPONSES:

F.4. All agencies surveyed (except Anaheim) do not disclose retiree health benefits as part of employee compensation per GAAP standards.

Response: Disagrees wholly with the finding.

The County of Orange already recognizes health care benefits in employee compensation and is properly reporting Other Postemployment Benefits in the County’s Comprehensive Annual Financial Report (CAFR) as required under GASB Statement No. 45. To support we are in compliance with GAAP standards, the County’s CAFR is audited each fiscal year for compliance with GASB Statement No. 45 by external auditors and the County’s CAFR is provided to the Government Finance Officers Association (GFOA) as part of a Certificate of Achievement for Excellence in Financial Reporting program. The County has not received any findings from external auditors and has received the GFOA award 19 consecutive years.

RECOMMENDATIONS AND RESPONSES:

R4. All agencies surveyed should recognize retiree health care benefits in employee compensation in conformity with GAAP. (F.4.)

Response: The recommendation will not be implemented because it is not warranted or is not reasonable.

The County of Orange already recognizes health care benefits in employee compensation and is properly reporting Other Postemployment Benefits in the County's Comprehensive Annual Financial Report (CAFR) as required under GASB Statement No. 45.

The County's Other Postemployment Benefits are properly disclosed in Note 19 to the Basic Financial Statements (See FY 2013-14 CAFR pages 132-134) and required disclosures are included in the CAFR's Required Supplemental Information section (FY 2013-14 CAFR page 138).

To support we are in compliance with GAAP standards, the County's CAFR is audited each fiscal year for compliance with GASB Statement No. 45 by external auditors and the County's CAFR is provided to the Government Finance Officers Association (GFOA) as part of a Certificate of Achievement for Excellence in Financial Reporting program. The County has not received any findings from external auditors and has received the GFOA award 19 consecutive years.

As part of the review of the Grand Jury report the County reviewed the City of Anaheim on-line Compensation Report. The County currently provides employee compensation information on the County website. The format of the County's current compensation report was implemented consistent with the 2010/2011 Grand Jury recommendation, however the County will evaluate the potential impact and feasibility of modifying the current format to include retiree health care.