



CITY OF NEWPORT BEACH

100 Civic Center Drive  
Newport Beach, California 92660  
949-644-3127 | 949-644-3339 FAX  
newportbeachca.gov/finance

October 30, 2015

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

Dear Judge Sanders:

Enclosed, please find the responses to the findings and recommendations requested in the Grand Jury's letter dated June 22, 2015, regarding the Orange County Grand Jury report, "Unfunded Retiree Health Care Obligations – A Problem for Public Agencies?"

We requested clarification regarding finding F.4 on July 24, 2015. We received a phone call from a member of the Grand Jury proximate to the September 28, 2015, response deadline. The Grand Jury member indicated he could not provide any clarification since the request originated from a former jury member. Due to the response delay from the Grand Jury and other priorities, we regrettably missed the deadline.

Should you have any questions concerning this matter, please feel free to contact me at 949-644-3126.

Regards,

Dan Matusiewicz  
Chief Financial Officer  
City of Newport Beach

Attachment:

- A. Responses to Findings and Recommendations in the Orange County Grand Jury report, "Unfunded Retiree Health Care Obligations – A Problem for Public Agencies?"

cc: Paul S. Borzick, Foreman, Orange County Grand Jury

## **ATTACHMENT A**

**Responses to Findings and Recommendations in the Orange County Grand Jury report, "Unfunded Retiree Health Care Obligations – A Problem for Public Agencies?"**

**Attachment: Responses to Findings and Recommendations in the Orange County Grand Jury report, "Unfunded Retiree Health Care Obligations – A Problem for Public Agencies?"**

**Finding 3:** Anaheim, Buena Park, County of Orange, Huntington Beach, Lake Forest, and Stanton were in compliance with the requirement to contribute a full 100% or more of their Annual Required Contribution in the FY 2012-13. The remaining 25 agencies were not in compliance.

**Finding 3 Response:** We disagree wholly with the finding. The City of Newport Beach did contribute 100% of the Annual Required Contribution in FY 2012-13 as indicated on the check copy in Exhibit A.

**Recommendation 3:** The 26 agencies that are not recognizing the full amount of their Annual Required Contribution as expense in the current period and should comply with the requirement to do so.

**Recommendation 3 Response:** The recommendation has been implemented. It is the City's policy and practice to contribute 100% of the OPEB ARC annually.

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

**Finding 4 Response:** There are number of compensation reports used by public agencies and it would be helpful to know which among them is being referenced. Which specific compensation report is the Grand Jury referring to (e.g., Budget, Comprehensive Annual Financial Report (CAFR), State Controller's Compensation Report)?

GAAP Standards are generally applicable to the CAFR, but CAFRs do not include granular reporting of compensation at the employee level. The CAFR does, however, include extensive footnote disclosure of the retiree health benefits most often referred to as Other Post Employee Benefits (OPEB).

We have read and are familiar with the GASB standards referenced in the Grand Jury document, namely GASB Statements 25, 26, 43, and 45. We are unaware of GAAP/GASB requirements for disclosing retiree health benefits in a compensation report. Respectfully, we believe this Grand Jury assertion is inaccurate. We requested further clarification regarding the specific GASB standard and paragraph specifying this requirement on July 24, 2015 (See Exhibit B). We received a phone call from a member of the Grand Jury proximate to the September 28, 2015 response deadline. The Grand Jury member indicated he could not provide any clarification since the request originated from a former jury member.

**Recommendation 4:** All agencies surveyed should recognize retiree health care benefits in employee compensation in conformity with GAAP.

**Recommendation 4 Response:** We are not aware of, nor do we believe there are currently, any GAAP or GASB standards that require the disclosure of retiree health benefits as part of any employee compensation report.

Exhibits:

- A. Copy of Disbursement Check to CalPERS 8/2/13
- B. Memorandum to Paul S. Borzick requesting clarification of Finding F.4. with postal certification.

# **EXHIBIT A**

**Copy of Disbursement Check to CalPERS 8/2/13**



**CITY OF NEWPORT BEACH**  
 100 CIVIC CENTER DRIVE  
 NEWPORT BEACH, CALIFORNIA 92660  
 Accounts Payable (949) 644-3117

ORANGE COUNTY AIRPORT BRANCH #023  
 CITY NATIONAL BANK  
 18111 VonKarman Ave  
 Irvine, California  
 (949) 223-4000

16-1606  
 1220

CHECK DATE  
 08/02/13

CHECK NO.  
 753914

AMOUNT **\$\*3,051,000.00\***

**PAY** THE SUM OF \*\*\*3051000\* DOLLARS AND \*NO\* CENTS

TO THE ORDER OF CALPERS  
 FISCAL SERVICES DIVISION  
 P.O. BOX 942703  
 SACRAMENTO CA 94229-2703

*Don Matusiewicz*

CITY OF NEWPORT BEACH

VENDOR NO. 8047

CHECK NO. 753914

ACCOUNT	PURCH. ORDER	INVOICE NUMBER	AMOUNT	DESCRIPTION
6311 7223		FY 12/13 ARC	3,051,000.00	FY 12/13 ANNUAL ARC

8047 CALPERS

## **EXHIBIT B**

Memorandum to Paul S. Borczik requesting clarification of Finding F.4 with postal certification.



CITY OF NEWPORT BEACH

100 Civic Center Drive  
Newport Beach, California 92660  
949 644-3127 | 949 644-3339 FAX  
newportbeachca.gov/finance

July 24, 2015

Paul S. Borzcik  
Orange County Grand Jury  
700 Civic Center Drive West  
Santa Ana, CA 92701

Dear Mr. Borzcik:

We are in receipt of the Orange County Grand Jury report, "Unfunded Retiree Health Care Obligations – A Problem for Public Agencies?"

In order to formulate a proper response, we are in need of clarification with respect to Finding F.4., which states:

*"All agencies surveyed (Except Anaheim) do not disclose retiree health benefits as part of employee compensation per GAAP standards."*

There are number of compensation reports used by public agencies and it would be helpful to know which among them is being referenced. Which specific compensation report is the Grand Jury referring to (e.g., Budget, Comprehensive Annual Financial Report (CAFR), State Controller's Compensation Report)?

GAAP Standards are generally applicable to the CAFR, but CAFRs do not include granular reporting of compensation at the employee level. The CAFR does however include extensive footnote disclosure of the retiree health benefits most often referred to as Other Post Employee Benefits (OPEB).

We have read and are familiar with the GASB standards referenced in the Grand Jury document, namely GASB Statements 25, 26, 43, and 45. We are unaware of GAAP/GASB requirements for disclosing retiree health benefits in a compensation report. Respectfully, we believe this Grand Jury assertion is inaccurate. Therefore, we request further clarification regarding the specific GASB standard and paragraph specifying this requirement.

Should you wish to respond by telephone, please feel free to contact me at 949-644-3240.

Regards,

Steve Montano  
Deputy Finance Director, City of Newport Beach



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Features:  
Certified Mail™

DATE & TIME	STATUS OF ITEM	LOCATION
July 28, 2015 , 7:54 am	Delivered	SANTA ANA, CA 92701

Your item was delivered at 7:54 am on July 28, 2015 in SANTA ANA, CA 92701

July 26, 2015 , 6:59 pm	Departed USPS Facility	SANTA ANA, CA 92799
July 25, 2015 , 5:21 pm	Arrived at USPS Facility	SANTA ANA, CA 92799

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**MR. PAUL S. BORZCIK - 06 GRAND JURY**  
Street, Apt. No.,  
or PO Box No. **700 CIVIC CENTER DR. W.**  
City, State, ZIP+4  
**SANTA ANA, CA 92701**

PS Form 3800, August 2006

See Reverse for Instructions