

The logo for mGO, featuring the lowercase letters 'mGO' in a bold, blue, sans-serif font. The background of the entire page is a photograph of the Golden Gate Bridge at dusk, with the bridge's towers illuminated in warm yellow light and the city skyline of San Francisco visible in the distance under a twilight sky.

AUDIT SERVICE PLAN

# City and County of San Francisco

Fiscal Year 2014-2015



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# Transmittal Letter

September 17, 2015

On behalf of Macias Gini & O'Connell LLP (MGO), we are pleased to present our 2015 Audit Service Plan (Plan) for the City and County of San Francisco (City) for the year ended June 30, 2015. In preparing our Plan we have drawn on our experience in serving the City in prior years and numerous governmental entities within California. This Plan presents our engagement service teams; timeline for deliverables; highlights our audit approach, scope and objectives; incorporates some of the key audit issues facing the City; and summarizes audit responsibilities under *Government Auditing Standards*, issued by the Comptroller General of the United States. Also included in this document is a summary of recent technical developments in governmental accounting and financial reporting that may impact the City over the next few years.

We are committed to serving the City so that citizens, elected officials, management, grantor agencies and creditors continue to have the utmost confidence in the City's financial statements, internal control systems and compliance with laws and regulations. We dedicate the resources of our team and provide ongoing access to our very best resources to exceed the City's expectations.

We appreciate the opportunity to be of service and look forward to discussing the highlights of our Plan with the City.

Very truly yours,



Cynthia Pon, CPA, CGMA  
MGO Partner



SECTION 1

# Executive Summary

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**mGO**





Our goal is to continuously exceed the expectations of the City and County of San Francisco, and to focus the resources of our firm in providing efficient, cost effective and high-quality services to the General City, the Employees' Retirement System, the Successor Agency to the Redevelopment Agency, General Hospital, Laguna Honda Hospital, the Port, and the Finance Corporation (collectively referred to as the "City").

#### MGO OBJECTIVES

Our mission is to be the professional service firm that consistently exceeds the expectations of our clients and our people. Our objective is to deliver seamless, high quality, timely service to the City in all areas in which we provide professional services. In addition to audit services these include accounting and auditing, consulting, tax and other specialized services. We will meet our objectives by identifying opportunities to provide value-added services to the City.

In order to accomplish this, we will:

- Identify and resolve reporting, accounting and audit issues timely and effectively;
- Regularly communicate with City management;
- Complete our audits on a timely basis;
- Provide seamless service across the organization;
- Understand your organization, culture, programs and services;
- Provide the suited experienced professionals;
- Utilize specialists where unique skill sets are required;
- Apply our technical knowledge to identify solutions to organizational and financial issues;
- Respond to critical issues with a sense of urgency;
- Act as another set of "eyes and ears";
- Meet all deadlines; and
- Communicate key findings to management.

#### OUR FOCUS IS ON THE CITY'S CRITICAL AUDIT AREAS AND OPERATION CHANGES

Through planned face-to-face meetings with members of the Chair of the Government Audit & Oversight Committee, the Retirement Board, the Mayor's Office, the Controller's Office, and key management personnel throughout the year, we will directly ascertain the City's expectations of us and we will communicate our responsibilities under professional standards. We will listen to what members of management expect from us and ask them to tell us what service attributes are most important to them. We will use this information to develop a comprehensive audit approach to respond to identified issues and service needs for the City.

#### AUDIT SERVICES

Our audit services emphasize comprehensive planning and risk assessment to fulfill our professional responsibilities and enable us to be responsive to the needs of the City.

#### OUR SERVICE TEAMS

An important part of successfully implementing our plan is identifying and utilizing the appropriate resources. We have selected engagement teams that are committed to carrying out our service plan. Caroline Walsh, Client Services Partner/Technical Reviewer, leads our service team and will coordinate the audits performed by MGO. The Engagement Team section lists the key individuals assigned to the City's individual funds and component units.

#### QUALITY AND RESPONSIVE SERVICE

We provide service, which stresses responsive attention year-round. Close communication with our clients is one of our top service qualities – it is the only way we serve our clients. We will work with you as business advisors, and we will place special emphasis on being actively involved in understanding all significant financial and reporting matters. Accordingly, we will meet with you regularly to stay abreast of your service needs and special concerns. You can call upon us as a resource at any time.

#### AUDIT APPROACH

Our audit approach carefully considers the identification of key risk areas and allocation of appropriate resources. Professionals with extensive auditing and accounting experience lead all phases of our audit. With our experienced leaders in the field, our efficiency and effectiveness increase when dealing with complex accounting and auditing issues.

Our audit procedures include analytical reviews, verification of balances and transactions based on independent supporting documentation using statistical and judgmental sampling techniques, confirmation of key balances, and analysis of key assumptions supporting significant estimates made by management.

This document further presents discussions on our approach to the services we will provide to the City, details our framework for planning and performing the audit, and sets forth our audit scope and timing.

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SECTION 2

# The Engagement Team

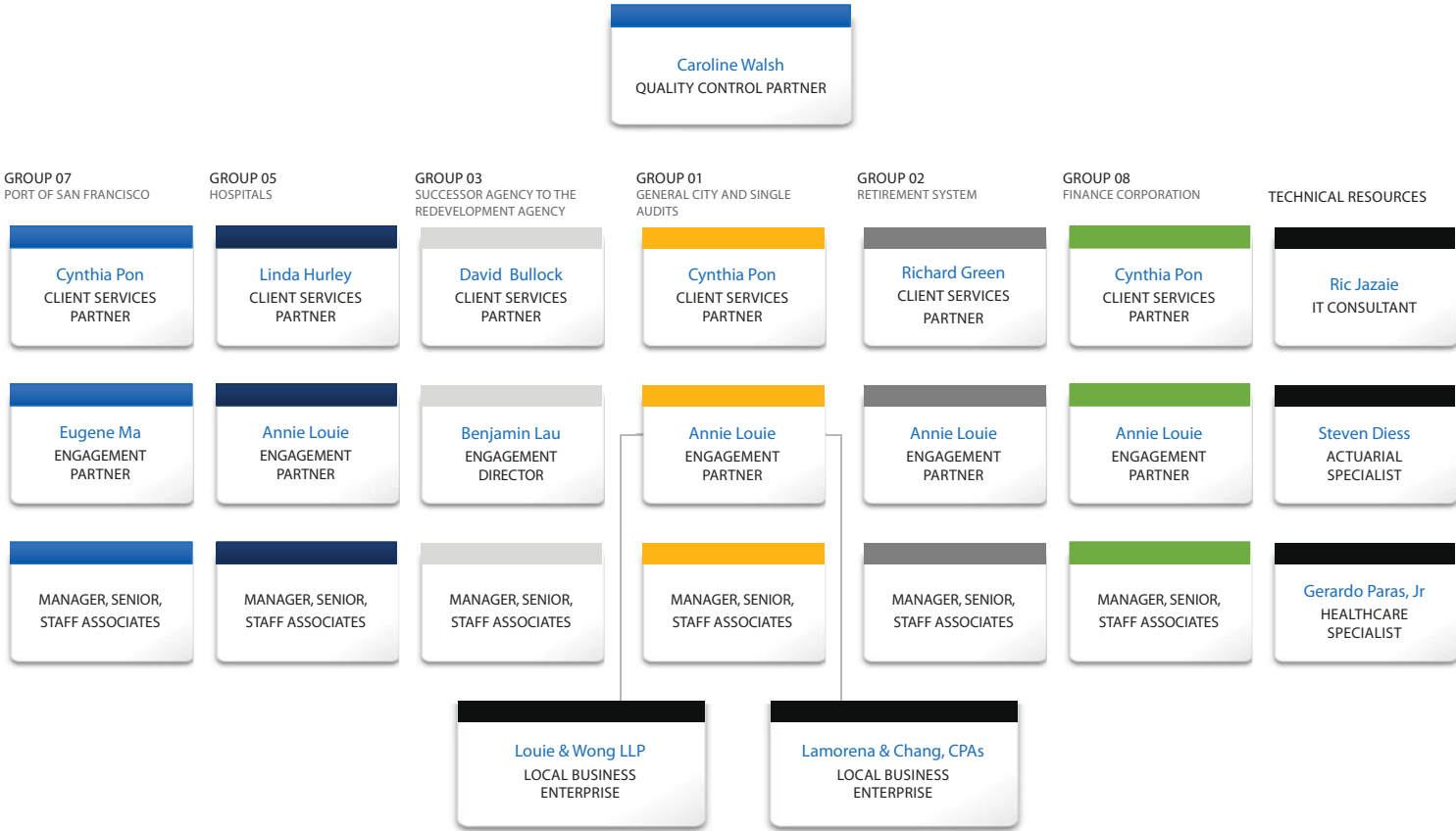
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# Engagement Team

The engagement teams selected to serve the City represents the strong, balanced blend of talent, professional skills, and industry experience that is most critical to working effectively with local governments of your size and complexity. The MGO Team is integrated to allow us to respond to your needs. We are committed to providing the resources necessary to meet the timeline that has been established by the City. This commitment includes providing the appropriate number and level of staffing to meet your needs.



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SECTION 3

# Audit Timing

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We recognize the importance of timely completion of audit tasks and deliverables. The timing of our audit procedures will be coordinated with management to minimize disruption of City operations and to ensure timely delivery of all reports by your deadlines.

Government-related entities often depend on a structure of interlocking relationships for managing broad programs and resources. Our philosophy for a successful engagement is based on organization, communication, and coordination between the two parties

responsible for the completion of the audit – the accounting firm and the client. We take coordination seriously and regard it as an integral factor to the relationship. We welcome the City's involvement in the planning process and believe that monitoring progress will result in timely financial reporting.

We are committed to delivering the City's various reports according to the City's proposed time plan.

AUDIT TIMELINE	Group 01 - General City and Single Audits	Group 02 - Employees' Retirement System	Group 03 - Successor Agency	Group 05 - Hospitals	Group 07 - Port	Group 08 - Finance Corporation
<b>Planning and Execution of Tests of Controls</b>						
Planning meetings with key management and governing boards	Jul - Sept	Jul - Sept	Jul - Sept	Jul - Sept	Jul - Sept	Jul - Sept
Submit Audit Plan to the Board's Government Audit and Oversight Committee	09/17	09/17	09/17	09/17	09/17	09/17
On-site planning and execution of tests of controls	06/24 - 07/23	05/26 - 06/10	07/06 - 07/16	07/27 - 08/06	05/04 - 05/11; 06/29 - 07/01	06/24 - 07/23
Single Audit planning and preliminary program compliance tests	Apr - Aug	n/a	n/a	n/a	n/a	n/a
<b>Execution of Substantive Procedures</b>						
Auditors' receipt of draft financial statements, including notes and management's discussion and analysis (MD&A), and all other client-prepared documents	10/16	09/25	09/23	09/14	09/14	10/13
On-site year-end fieldwork	10/13 - 11/18	09/21 - 10/13	09/23 - 10/01	09/14 - 10/09	09/14 - 10/07	10/13 - 11/18
Completion of Single Audit tests	01/08/16	n/a	n/a	n/a	n/a	n/a
Completion of Gann Agreed-Upon Procedures	07/10	n/a	n/a	n/a	n/a	n/a
<b>Completion Procedures and Communications</b>						
Issuance of final basic financial statements	11/18	10/23	10/23	(1)	10/23	11/18
Issuance of Gann Agreed-Upon Procedures Report	07/24	n/a	n/a	n/a	n/a	n/a
Issuance of Single Audit Reports	01/31/16	n/a	n/a	n/a	n/a	n/a
Issuance of management letter comments, if applicable	12/18	10/23	(2)	(2)	(2)	(2)
Present Audit Results to the Board's Government Audit & Oversight Committee	March 2016	March 2016	March 2016	March 2016	March 2016	March 2016

(1) The hospitals' financial statements are incorporated into and reported with the General City's basic financial statements.

(2) Management letter comments for these groups, if applicable, will be combined with Group 1's letter.

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SECTION 4

# The Audit Process

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## PLANNING

### TIMELY INVOLVEMENT WITH RISKS AND ISSUES

Planning the City's audits is a continuous process. Our ongoing attention to changes in the City's economic and operating environment enables us to react to changing circumstances and unanticipated events and enhances our understanding of the City. The objectives of the planning phase are to develop an audit plan that 1) effectively and efficiently meets our professional responsibilities and 2) meets or exceeds the expectations and needs of City management, the Mayor, and the governing boards.

To accomplish our planning objectives, we will:

- Document our understanding of the internal and external factors affecting the City, which enables us to identify and evaluate relevant areas of risk.
- Document our understanding of the City's control environment, accounting systems and control procedures for significant audit areas and transaction streams.
- Finalize an audit plan that identifies critical audit areas and procedures to address identified risks.
- Ensure that our plan provides appropriate audit coverage.
- Coordinate our audit services with the support of management for maximum efficiency.
- Develop and execute an audit plan that is designed to deliver our services effectively and efficiently and provides a basis for the issuance of our opinions.
- Strive to add value.

### CLIENT SERVICE PROGRAM

Through our client service program, the City receives the direct attention of one of our most knowledgeable and experienced professionals, Caroline Walsh. Caroline will review our annual client service plan and the reports

prepared on the results of each year's work, and the assignment of personnel to the engagement. In addition, she will assure that your specialized needs receive priority access to top resources from anywhere in our organization.

### ENVIRONMENTAL ASSESSMENT

In addition, our planning process evaluates the City's financial reporting risks based on the broader environment, drawing upon our knowledge of economic and operational changes affecting the City, including the impact of:

- Recent economic trends and their effect on the City's fund balances
- State budget
- Cost containment
- Pension modification

## EXECUTION

### PERFORMANCE – EXECUTION OF AUDIT PLAN

Our audit scope must be designed to provide sufficient audit coverage to enable us to express an opinion on the City's financial statements, as well as addressing all known audit risks, which could materially impact the City's financial statements.

Execution generally includes the following steps:

- Performance of audit tests and evaluation of results
- Development of organizational insights
- Review of financial statements, financial statement disclosures and subsequent events
- Obtaining management representations

During the course of the audit, we use our knowledge gained during the planning phase related to your current organizational strategies, economic conditions, internal control, and the identified risks to tailor our audit procedures.

### APPROACH TO CRITICAL AUDIT AREAS

We have identified certain critical audit areas facing the City. During our planning phase of the audit, we expand our understanding of these critical audit areas and obtain further information as needed in order to appropriately design audit procedures to address these issues.

**Accounting for Pension Benefits** – The new pension standards (GASB Statement No 68) will significantly change how pension benefits are reported in the City's financial statements. The City participates in three pension plans - the San Francisco Employees' Retirement System, and the California Public Employees' Retirement System (CalPERS) miscellaneous and safety plans. The pension plans must provide the information necessary for the City to properly implement the required changes in the year ending June 30, 2015.

The City must determine an allocation basis to distribute the net pension liabilities to respective reporting funds, and comply with new disclosure requirements that are applicable to each type of pension plans.

MGO will facilitate the coordination of these planning efforts the San Francisco Employees' Retirement System, CalPERS, and the City. We will determine whether the City's allocation methodology and disclosures meet the provisions of the new pension standards.

**Self-Insured Risks** – The City is exposed to various risks of loss and is self-insured for most of its liability risks, including general liability and workers' compensation claims. We consider this to be a critical area due to the high degree of judgment involved in the calculation of the claims liability. Our procedures will review the City's calculation used to compute these liabilities with an emphasis placed on the consistency of assumptions used and data maintained, review the adequacy of estimated reserves developed by the City, and test the roll forward of the claims liability from prior year.

**Other Postemployment Benefits (OPEB)**

– The City administers a single-employer, defined benefit OPEB plan. The City's annual OPEB expenses are based on various factors, including actuarially determined annual required contributions (ARC) and actual contributions made. Our audit approach will focus on the reasonableness of actuarial assumptions in the actuarial valuations, and calculations for other postemployment benefits.

**Patient Service Revenues** – Net patient services revenues are recorded at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including a provision for doubtful accounts and estimated retroactive adjustments under reimbursement agreements with federal and state government programs and other third-party payors. We will apply audit procedures to the revenue estimates and cost recognition methods related to reimbursement rates, third party payors, and health care contracts.

**Long Term Debt** – The primary function of the City's Finance Corporation is to act as a financing vehicle for the City. To finance these projects, the Finance Corporation relies on base payments received from the City. Our audit approach will include an assessment of compliance with the significant terms of the bond covenants.

**TIMING OF OUR WORK**

We have timed our work to coincide with key activities that are taking place in the City throughout the year. The Audit Timing section of this Plan outlines the timing of our procedures.

**THE RESULT**

Our process is designed to enable us to issue the independent auditor's report within the agreed upon timeline. The result of our work will also include the timely delivery of observations and suggestions regarding the control environment and operations of your organization. Such communications will be delivered both formally, through the report to management, as well as informally through regular meetings with management.

**REPORTING****SCOPE AND RESPONSIBILITY**

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States for the purpose of expressing opinions on the fair presentation of the City's financial statements in conformity with U.S. generally accepted accounting principles. In addition, we will perform certain limited procedures involving required supplementary information mandated by the *Governmental Accounting Standards Board* as required by GAAS. Our audits are designed to obtain reasonable (as opposed to absolute) assurance about whether the financial statements are fairly presented.

The City's Comprehensive Annual Financial Report (CAFR) presents financial information on the activities of the City for which the Mayor and the Board of Supervisors have oversight, governing, and budgeting responsibilities. The CAFR encompasses the basic financial statements and other financial and statistical information including combining statements of individual funds, supporting schedules, ten-year trend data, and various other statistical data.

**FINANCIAL STATEMENTS AUDITED BY OTHER AUDITORS**

Separate financial statements for certain funds and organizations that are presented in the City's CAFR are audited by other firms:

- Group 4 – Health Service System
- Group 6 – San Francisco International Airport
- Group 9 – Public Utilities Commission (PUC) including the Water Department, Hetch Hetchy Water and Power, and the Wastewater Enterprise
- Group 10 – Municipal Transportation Agency which includes the Parking Garage nonprofit organizations

The audit plans for these entities are not included in this document. Our report on the City's basic financial statements will make reference to the reports of the auditors of the City's individual fund and component unit reports not audited by MGO as noted above.

The basic financial statements are the responsibility of management. In this regard, management has the responsibility for properly recording transactions in the accounting records, for adjusting the financial statements to correct material misstatements, for making appropriate accounting estimates, for safeguarding assets, and for the overall accuracy of the financial statements and their conformity with accounting principles generally accepted in the United States of America.

In addition, we will conduct a Single Audit of the City in accordance with the federal Single Audit Act Amendments of 1996; the provisions of U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations; and the related OMB Circular A-133 Compliance Supplement. The audit will be the financial and compliance type described in *Government Auditing Standards*. The Single Audit will not include federal expenditures of the International Airport, the Municipal Transportation Agency (MTA), and the Successor Agency to the Redevelopment Agency, which issue separate single audit reports.

**REPORTING RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA**

We will also report directly to management and to you matters coming to our attention during the course of our audit that we believe are deficiencies. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such

that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

In addition to communications about our responsibilities under U.S. generally accepted auditing standards and the planned scope and timing of the audit, we will communicate to you certain other matters related to the conduct of our audit, including where appropriate the following matters:

- Qualitative Aspects of Accounting Practices
- Corrected and Uncorrected Misstatements
- Difficulties Encountered in Performing the Audit
- Disagreements with Management
- Management Representations
- Management Consultations with Other Independent Accountants
- Other Audit Findings or Issues
- Other Information in Documents Containing Audited Financial Statements

#### MANAGEMENT COMMENTS

One of the primary service objectives is to make constructive and timely recommendations and to provide advice to you and management on matters we believe warrant attention. We have tailored our audit approach to focus on those risks that are important to achieving control and reporting objectives. We have the benefit of being objective outsiders in considering the information we gather. The result is that we are able to add the perspective of our experience and expertise to translate our audit findings into recommendations and insights concerning existing or potential problems. We will keep management and you apprised of any matters that

we believe warrant consideration whenever they come to our attention.

#### ASSESSMENT – CLIENT SERVICE SATISFACTION

Annually we obtain direct feedback from our clients about their satisfaction level with MGO services. We have partnered with a satisfaction research firm, Inavero, to conduct brief 3-question surveys that allow you to rate our services and share your valuable input. In addition to communicating with management regarding the effectiveness of our services, we use the survey results to identify areas to focus on in order to increase your satisfaction with our service delivery.

Once we receive your response and feedback, we'll identify opportunities to add value; to identify the most experienced people within our organization to best respond to the City's needs; and to monitor the delivery of such services to ensure we exceed your service expectations.

In addition, we will hold recurring meetings between MGO and the City's management to discuss emerging issues. The key objective of these meetings is to consolidate our combined knowledge of the City's organizational changes and new programs or initiatives. These meetings will result in a better understanding of the challenges facing the City and will enable us to proactively identify opportunities and bring creative ideas to the attention of the City's management.

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SECTION 5

# Engagement Communications

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We are pleased to confirm our understanding of the services we are to provide the City and County of San Francisco (City) for the year ended June 30, 2015. We will audit the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements, of the City as of and for the years ended June 30, 2015. Our report on the City's basic financial statements will make reference to the auditors' reports on the City's individual funds and component units not audited by Macias Gini & O'Connell LLP (MGO). The individual funds and component units not audited by MGO include the Health Service System, San Francisco International Airport, San Francisco Water Enterprise, Hetch Hetchy Water and Power, San Francisco Wastewater Enterprise, and San Francisco Municipal Transportation Agency. As a result, we will make reference to the work performed by the other firms in our audit opinion of the City's basic financial statements.

In addition to our audit of the basic financial statements of the City, we will also perform the following:

1. Audit and separately report on the individual financial statements of the Port of San Francisco, the San Francisco City and County Employees' Retirement System, the Successor Agency to the Redevelopment Agency, and the San Francisco Finance Corporation.
2. Audit and separately report on compliance with federal award programs in accordance with OMB Circular A-133.
3. Separately audit the San Francisco General Hospital and the San Francisco Laguna Honda Hospital enterprise major funds. Separate stand-alone reports are not required by the City.

4. Agreed-upon procedures to review compliance with appropriations limit requirements of Section 1.5 Article XIII B of the California Constitution (commonly referred to as the Gann Limit) in accordance with the procedures agreed to management and recommended by the California Committee on Municipal Accounting (as presented in the CCMA White Paper titled Agreed-upon Procedures Applied to the Appropriations Limitation Prescribed by Article XIII B of the California Constitution).

Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the City's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the City's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis
2. Schedules of Funding Progress
3. Schedule of Changes in Net Pension Liability and Related Ratios

We have also been engaged to report on supplementary information other than RSI that accompanies the City's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and will provide an opinion on it in relation to the financial statements as a whole:

1. Combining and individual fund financial statement schedules.
2. Schedule of expenditures of federal awards.

The City's Comprehensive Annual Financial Report (CAFR) will also include introductory and statistical sections prepared by the City that will not be subjected to the auditing procedures applied in our audit of the financial statements, and for which our auditor's report will not provide any opinion or any assurance.

#### AUDIT OBJECTIVES

The objective of our audit is the expression of opinions as to whether the City's basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. The objective also includes reporting on—

- Internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the

provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The OMB Circular A-133 report on internal control over compliance will include a paragraph that states that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Both reports will state that the report is not suitable for any other purpose.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of OMB Circular A-133, and will include tests of accounting records, a determination of major program(s) in accordance with OMB Circular A-133, and other procedures we consider necessary to enable us to express such opinions. We will issue written reports upon completion of our Single Audit. Our reports will be addressed to the Mayor and the Board of Supervisors of the City. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-

matter paragraphs. If our opinions on the financial statements or the Single Audit compliance opinions are other than unmodified, we will discuss the reasons with management in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or may withdraw from the engagement.

#### MANAGEMENT RESPONSIBILITIES

Management is responsible for the financial statements, schedule of expenditures of federal awards, and all accompanying information as well as all representations contained therein. Management is also responsible for identifying all federal awards received and understanding and complying with the compliance requirements, and for preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received) in accordance with the requirements of OMB Circular A-133. Management agrees to assume all management responsibilities for any nonaudit services we provide; oversee the services by designating an individual, preferably from senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

Management is responsible for establishing and maintaining effective internal controls. Management is responsible for (a) establishing and maintaining effective internal controls, including internal controls over compliance, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; (b) following laws and regulations; (c) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (d) ensuring that management is reliable and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. Management is responsible for the selection and

application of accounting principles; for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. Management is also responsible for providing us with (1) access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Management's responsibilities also include identifying significant vendor relationships in which the vendor has responsibility for program compliance and for the accuracy and completeness of that information. Management's responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Management's responsibilities include informing us of any knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees,

grantors, regulators, or others. In addition, management are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants. Management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that we report. Additionally, as required by OMB Circular A-133, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan.

Management is responsible for preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received) in conformity with OMB Circular A-133. Management agrees to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. Management also agrees to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon. Management's responsibilities include acknowledging to us in the written representation letter that (1) management is responsible for presentation of the schedule of expenditures of federal awards in accordance with OMB Circular A-133; (2) that management believes the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with OMB Circular A-133; (3) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) management has disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

Management is also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity

with U.S. generally accepted accounting principles. Management agrees to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. Management also agrees to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Management's responsibilities include acknowledging to us in the written representation letter that (1) management is responsible for presentation of the supplementary information in accordance with GAAP; (2) that management believes the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) management has disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. Management is also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as the planned corrective actions, for the report, and for the timing and format for providing that information.

#### AUDIT PROCEDURES—GENERAL

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and

the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from the City's attorneys as part of the engagement, and they may bill the City for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from management about management's responsibilities for the financial statements; schedule of expenditures of federal awards; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

#### AUDIT PROCEDURES—INTERNAL CONTROL

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by OMB Circular A-133, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable

to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to OMB Circular A-133.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and OMB Circular A-133.

#### AUDIT PROCEDURES—COMPLIANCE

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the City's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

OMB Circular A-133 requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Circular A-133 Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the City's major programs. The purpose of these procedures will be to express an opinion on the City's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to OMB Circular A-133.

#### ENGAGEMENT ADMINISTRATION

We may from time to time, and depending on the circumstances, use third-party service providers in serving the City. We may share confidential information about the City with these service providers, but remain committed to maintaining the confidentiality and security of the City's information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of the City's personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of the City's information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of the City's confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, management will be asked to provide consent prior to the sharing of the City's confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

We understand that City employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors' reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with management the electronic submission and certification. If applicable, we will provide copies of our report for management to include with the reporting package management will submit to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditors' reports or nine months after the



end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audits.

We will provide copies of our reports to the City; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Macias Gini & O'Connell LLP and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to the City's cognizant agency or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify management of any such request. If requested, access to such audit documentation will be provided under the supervision of Macias Gini & O'Connell LLP personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of seven years after the report release date or for any additional period requested by the cognizant agency. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation. Upon expiration of the seven-year period, MGO will be free to destroy our records related to this engagement. However, MGO does not keep any original client records, so we will return those to management at the completion

of the services rendered under this engagement. When records are returned to management, it is management's responsibility to retain and protect the records for possible future use, including potential examination by any government or regulatory agencies.

In connection with this engagement, we may communicate with management or others via e-mail transmission. As e-mail can be intercepted and read, disclosed, or otherwise used or communicated by an unintended third party, or may not be delivered to each of the parties to whom they are directed and only to such parties, we cannot guarantee or warrant that e-mail from us will be properly delivered and read only by the addressee. Therefore, we specifically disclaim and waive any liability or responsibility whatsoever for interception or unintentional disclosure or communication of e-mail transmissions, or for the unauthorized use or failed delivery of e-mail transmitted by us in connection with the performance of this engagement. In that regard, management agrees that we shall have no liability for any loss of damage to any person or entity resulting from the use of e-mail transmissions, including any consequential, incidental, direct, indirect, or special damages, such as loss of revenues or anticipated profits, or disclosure or communication of confidential or proprietary information.

With regards to the electronic dissemination of audited financial statements, including financial statements published electronically on the City's website, management understands that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Professional and certain regulatory standards require us to be independent, in both fact and appearance, with respect to the City in the performance of our services. Any discussions that the City has with personnel of our firm regarding employment could pose a

threat to our independence. Therefore, the City agrees to inform us prior to any such discussions that we can implement appropriate safeguards to maintain our independence.

*Government Auditing Standards* require that we provide the City with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2012 peer review report is presented on the next page.



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## System Review Report

September 12, 2012

To the Partners of  
Macias Gini & O'Connell, LLP  
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Macias Gini & O'Connell, LLP (the "firm") applicable to non-SEC issuers in effect for the year ended March 31, 2012. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under the *Government Auditing Standards* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Macias Gini & O'Connell, LLP applicable to non-SEC issuers in effect for the year ended March 31, 2012, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Macias Gini & O'Connell, LLP has received a peer review rating of *pass*.

A handwritten signature in black ink that reads "Carr, Riggs &amp; Ingram, LLC".

**CARR, RIGGS & INGRAM, LLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**





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SECTION 6

# Recent Developments in Governmental Accounting

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**mGO**



The following is a summary of the more recent and relevant Governmental Accounting Standards Board (GASB) and other pronouncements that may have an impact on the City in the current and future periods. We will have ongoing discussions with management about these as well as other developments in an effort to be prepared in advance for their implementation.

## FISCAL YEAR 2015 IMPLEMENTATION

### GASB STATEMENT NO. 68, ACCOUNTING AND FINANCIAL REPORTING FOR PENSIONS

On June 25, 2012, GASB approved Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68, which primarily relates to reporting by governments that provide pensions to their employees, is effective for fiscal years beginning after June 15, 2014

Key changes include:

- Separating how the accounting and financial reporting is determined from how pensions are funded.
- Incorporating ad hoc cost-of-living adjustments and other ad hoc postemployment benefit changes into projections of benefit payments, if an employer's past practice and future expectations of granting them indicate they are essentially automatic.
- Using a discount rate that applies (a) the expected long-term rate of return on pension plan investments for which plan assets are expected to be available to make projected benefit payments, and (b) the interest rate on a tax-exempt 20-year AA-or higher rated municipal bond index to projected benefit payments for which plan assets are not expected to be available for long-term investment in a qualified trust.

- Adopting a single actuarial cost allocation method – entry age normal – rather than the current choice among six actuarial cost methods.
- Requiring more extensive note disclosures and required supplementary information.

Statement No. 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria.

The Statement requires governments that participate in defined benefit pension plans to report in their statement of net position a net pension liability. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries.

The Statement calls for immediate recognition of more pension expense than is currently required. This includes immediate recognition of annual service cost and interest on the pension liability and immediate recognition of the effect on the net pension liability of changes in benefit terms. Other components of pension expense will be recognized over a closed period that is determined by the average remaining service period of the plan members (both current and former employees, including retirees). These other components include the effects on the net pension liability of (a) changes in economic and demographic assumptions used to project benefits and (b) differences between those assumptions and actual experience.

Lastly, the effects on the net pension liability of differences between expected and actual investment returns will be recognized in pension expense over a closed five-year period.

Statement No. 68 also requires employers to present more extensive note disclosures and RSI, including disclosing descriptive information about the types of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used to calculate the pension liability.

These changes, however, relate only to accounting and financial reporting, not to how governments approach the funding of their pension plans. Pension funding is a policy decision made by government officials.

### GASB STATEMENT NO. 69, GOVERNMENT COMBINATIONS AND DISPOSALS OF GOVERNMENT OPERATIONS

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, to establish accounting and financial reporting standards related to government combinations (transactions generally referred to as mergers, acquisitions, and transfers of operations) and disposals of government operations.

Prior to Statement No. 69, governments accounted for government combinations by drawing comparisons with accounting and financial reporting standards intended for the business environment. By establishing specific accounting and financial reporting guidance for the governmental environment and requiring disclosures of government combinations and disposals of government operations, this Statement improves decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations.

**GASB STATEMENT NO. 71, PENSION  
TRANSITION FOR CONTRIBUTIONS MADE  
SUBSEQUENT TO THE MEASUREMENT DATE  
- AN AMENDMENT OF GASB STATEMENT  
NO. 68**

This statement is an amendment of GASB Statement No. 68 to address application of the transition provisions of Statement No. 68. Accordingly, Statement No. 71 should be applied simultaneously with Statement No. 68.

This statement calls for recognition of beginning deferred outflow of resources only for pension contributions made subsequent to the measurement date of the beginning net pension liability but before the start of the fiscal year in situations where it is not practical for the government to determine all applicable deferred inflows of resources and deferred outflows of resources related to pensions.

**ADMINISTRATIVE REQUIREMENTS,  
COST PRINCIPLES, AND AUDIT  
REQUIREMENTS FOR FEDERAL  
AWARDS (UNIFORM GUIDANCE)**

As an effort to reform and strengthen federal grant-making rules, the Office of Management and Budget (OMB) published new guidance on Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, which is more commonly known as the "Uniform Guidance." By streamlining eight Federal regulations into a single, comprehensive policy guide, the government can better administer grants and other types of financial assistance by decreasing the administrative burden for recipients and reducing the risk of waste, fraud, and abuse. The Uniform Guidance supersedes and streamlines requirements from OMB Circulars A-21, A-87, A-110, and A-122 (which have been placed in OMB guidances); Circulars A-89, A-102, and A-133; and the guidance in Circular A-50 on Single Audit Act follow-up.

While it does not entirely change these regulations, the Uniform Guidance does include some noteworthy changes that will have important implications for all grant applicants for and recipients of Federal grants and cooperative agreements.

The new guidance, will apply to federal awards made on or after December 26, 2014. The audit requirements will also apply to audits of fiscal years beginning on or after this date. The City should prepare for the new grant rules as a recipient of federal funds, and also be aware of the changing audit requirements for its grant subrecipients.

**FISCAL YEAR 2016 IMPLEMENTATION**

**GASB STATEMENT NO. 72, FAIR VALUE  
MEASUREMENT AND APPLICATION**

In February 2015, Statement No. 72 was issued to address accounting and financial reporting issues related to fair value measurements. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged.

Statement No. 72 requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches: the market approach, the cost approach, or the income approach. The requirements of this statement will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position.

**GASB STATEMENT NO. 73, ACCOUNTING  
AND FINANCIAL REPORTING FOR PENSIONS  
AND RELATED ASSETS THAT ARE NOT  
WITHIN THE SCOPE OF GASB STATEMENT  
NO. 68, AND AMENDMENTS TO CERTAIN  
PROVISIONS OF GASB STATEMENTS 67 AND  
68**

GASB Statement No.73 is intended to cover accounting and financial reporting provisions for defined benefit pensions and defined contribution pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes.

This statement is effective for fiscal years beginning after June 15, 2015, except for those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for financial statements for fiscal years beginning after June 15, 2016.

**GASB STATEMENT NO. 76, THE HIERARCHY  
OF GENERALLY ACCEPTED ACCOUNTING  
PRINCIPLES FOR STATE AND LOCAL  
GOVERNMENTS.**

GASB No. 76 was issued to identify the sources of accounting principles used in the context of the current governmental financial reporting environment, to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles.

This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source

of authoritative GAAP. As a result, governmental entities will apply financial reporting guidance with less variation, which will improve the usefulness of financial statement information for making decisions and assessing accountability, as well as enhancing the comparability of financial statement information among governments.

This statement is effective for fiscal years beginning after June 15, 2015 and supersedes GASB Statement No. 55, and amends Statement No. 62.

### FISCAL YEAR 2017 IMPLEMENTATION

#### GASB STATEMENT NO. 74, FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS

GASB Statement 74 addresses the accounting and financial reporting of defined benefit OPEB plans administered through trusts that meet specified criteria. GASB Statement No 74 is intended to make OPEB accounting and financial reporting consistent with the pension standards outlined in GASB Statement No. 67, and requires a statement of fiduciary net position and a statement of changes in fiduciary net position. The standard also requires more extensive note disclosures and required supplementary information (RSI) related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. Statement 74 also provides note disclosure requirements for defined contribution OPEB plans.

This statement is effective for fiscal years beginning after June 15, 2016, though earlier application is encouraged.

#### GASB STATEMENT NO. 77, TAX ABATEMENT DISCLOSURES

Tax abatements are widely used by state and local governments, particularly to encourage economic development. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

GASB Statement No. 77 requires governments that offer tax abatements to provide financial statement users with essential information necessary to assess how tax abatements affect their financial position and results of operations, including their ability to raise resources in the future. It requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

This statement is effective for financial statements for periods beginning after December 15, 2015.

### FISCAL YEAR 2018 IMPLEMENTATION

#### GASB STATEMENT NO. 75, ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

GASB Statement No. 75 is intended to make OPEB accounting and financial reporting consistent with the pension standards outlined in GASB Statement No. 68. It establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This will include recognizing a net OPEB liability in accrual basis financial statements.

This statement is effective for fiscal years beginning after June 15, 2017, though earlier application is encouraged.

# Questions?

THE WEST COAST IS OUR HOME.  
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The logo for MGO, featuring the letters 'mgo' in a bold, lowercase, sans-serif font. The 'm' and 'g' are connected, and the 'o' is a simple circle. The logo is rendered in a dark blue color.