

**CITY OF SACRAMENTO, CALIFORNIA**

**MANAGEMENT LETTER**

**JUNE 30, 2015**



To the Honorable Mayor and Members of City Council  
of the City of Sacramento  
Sacramento, California

We have audited the basic financial statements of the City of Sacramento, California (City) for the year ended June 30, 2015, and have issued our report thereon dated December 24, 2015. In planning and performing our audit of the basic financial statements of the City, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We have not considered internal control since the date of our report.

During our audit we noted certain matters involving internal control and other operational matters that are presented for your consideration. These observations and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are summarized as follows:

### **LANDFILL REGULATORY REPORTS**

#### **OBSERVATION:**

During our review of the City Landfill Closure and Postclosure Liability, we noted that the City Department of Solid Waste was not submitting the Financial Assurances report to the California Department of Resources Recycling and Recovery (CalRecycle), a division of California Environmental Protection Agency. The report is required for all owners of solid waste landfills by Title 27 of the California Code of Regulations and requires the calculation of the inflationary increases in the City's closure, postclosure maintenance, and corrective action cost estimates from previous technical closure and postclosure plans.

#### **RECOMMENDATION:**

We recommend the City work with the CalRecycle to ensure that all necessary submissions of regulatory reports are being made in relation to the City's closed landfills.

#### **MANAGEMENT'S RESPONSE:**

The City agrees with the recommendation and will develop processes and procedures to ensure that all necessary submissions of regulatory reports are made in relation to the City's closed landfills.

**STATUS OF PRIOR YEAR MANAGEMENT LETTER COMMENTS**

<b><u>Topic</u></b>	<b><u>Status</u></b>
Developer Dedications	Implemented
Retiree Health Billing Reconciliation	Implemented
Landfill Regulatory Reports	Not Implemented
Interfund Loan Policy	Implemented

## **NEW FINANCIAL REPORTING STANDARDS**

### **INFORMATIONAL ONLY**

#### **GOVERNMENTAL ACCOUNTING STANDARD No. 72**

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. These disclosures should be organized by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent). The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015.

#### **GOVERNMENTAL ACCOUNTING STANDARDS BOARD No. 73**

In June 2015, GASB issued 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 No. 67 and No. 68*. The provisions in Statement No. 73 are effective for fiscal years beginning after June 15, 2015—except 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 fiscal years beginning after June 15, 2016.

#### **GOVERNMENTAL ACCOUNTING STANDARDS BOARD No. 74**

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Statement No. 74 replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016.

#### **GOVERNMENTAL ACCOUNTING STANDARDS BOARD No. 75**

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 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. The provisions in Statement No. 75 are effective for fiscal years beginning after June 15, 2017.

#### **GOVERNMENTAL ACCOUNTING STANDARDS BOARD No. 76**

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement is not effective until the fiscal year ending June 30, 2016.

**GOVERNMENTAL ACCOUNTING STANDARDS BOARD No. 77**

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. The objective of this Statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs. This statement is not effective until the fiscal year ending June 30, 2017.

**GOVERNMENTAL ACCOUNTING STANDARDS BOARD No. 78**

In December 2015, GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This statement is not effective until the fiscal year ending June 30, 2016.

**GOVERNMENTAL ACCOUNTING STANDARDS BOARD No. 79**

In December 2015, GASB issues Statement No. 79, *Certain External Investment Pools and Pool Participants*. The objective of this Statement is to address accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015 (June 30, 2016), except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015 (June 30, 2017). Earlier application is encouraged.

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Our audit procedures are designed primarily to enable us to form an opinion on the financial statements, and therefore, may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the City gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time.

This report is intended solely for the information and use of the City Council, Audit Committee, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Vavrinik, Trine, Day & Co. LLP*

Sacramento, California  
December 24, 2015