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Financial Reporting Shakeup at MOFD

By Nick Marnell

Many have complained that when public pension costs can be hidden and then deferred for future payment, it can be too easy for governments to get away with making unreasonable promises without taking care of the funding problem in the first place. In an effort to more accurately report those costs, the Governmental Accounting Standards Board foisted new rules upon state and local governments - including the Moraga-Orinda Fire District - requiring them to place their net pension liability on the balance sheet instead of in the financial statement footnotes. The requirement takes effect for the MOFD fiscal year ending June 30.

"The purpose of this ruling is to improve the financial reporting of pensions and to provide more transparency of our long-term pension obligation," said Gloriann Sasser, MOFD administrative services director, at the June 3 district meeting.

The MOFD 2014 balance sheet lists total assets of \$39.9 million with liabilities of \$30.1 million. "This year the reported liabilities will be significantly higher," said Sasser. "The district will have a negative net position as opposed to a net position of \$9.8 million last year."

Sasser explained that the new reporting standard will have no effect on the district's cash flow, general fund budget, fund balance or long-range financial plan.

"It doesn't affect our revenue or our solvency, but I think it's important to publish this in a public document, to show the public what we really do owe," said director Steve Anderson.

Director Fred Weil noted that many private companies report significant information, such as lease liabilities, in their financial statement footnotes. Weil said that taking the district pension liability out of a footnote and sticking it on the balance sheet was "a mixture of accounting methods for political purposes."

If the district refused to go along with the GASB standard, it would not receive what Sasser called a clean audit of its financial statements. Those flawed statements could prevent the district from acquiring bank financing, such as for the lease it is trying to secure for its purchase of two new ambulances.

Though the MOFD year-end financials will report activity through June 30, Sasser said the Contra Costa County Employees' Retirement Association, manager of the district pension plan, will base the fair market value of the plan assets on Dec. 31, 2014 equity prices. She said she was not sure of the date to be used for the equity prices of the liabilities, but that it could be a different one.

"There's transparency for you," said Weil.

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