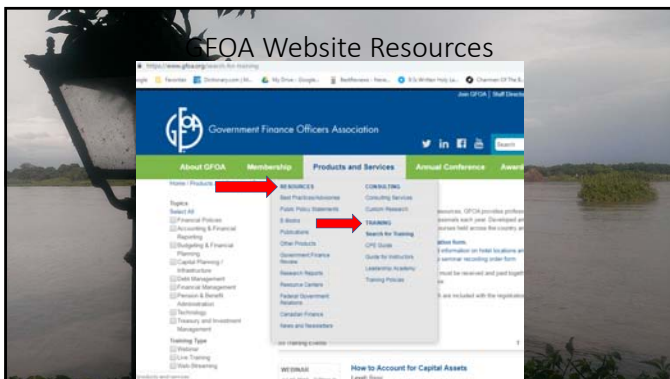


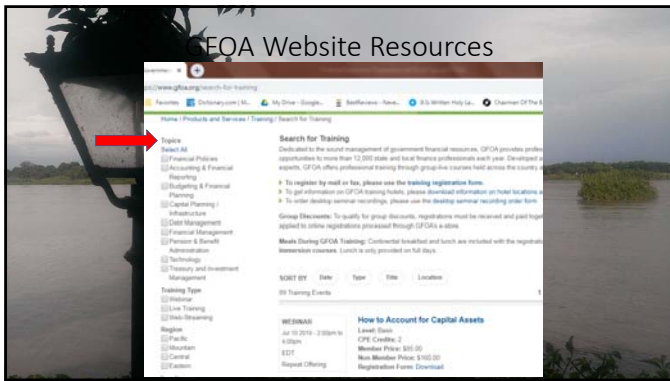
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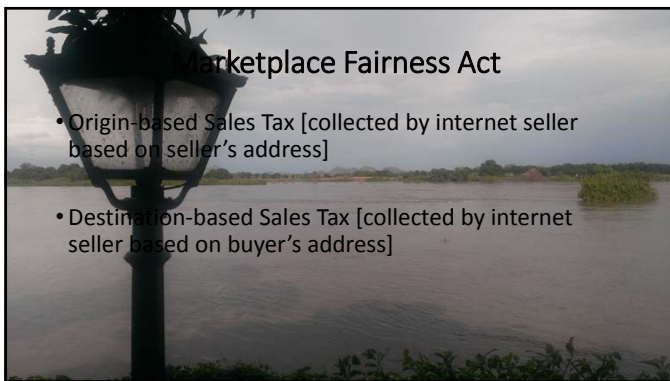
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6

Marketplace Fairness Act

- e-commerce sales in 2005 were \$87 billion
- Grew by nearly 40 percent to \$225.5 billion in 2012
- Online sales continued to explode during the 2014 holiday season, with Black Friday sales netting \$2.4 billion, a 24 percent increase over Black Friday 2013
- 2014 Cyber Monday sales reached \$2.04 billion, according to analytics firm comScore, rising 17 percent over sales for the popular online shopping day in 2013

7

GFOA Website Resources

8

GFOA Website Resources

9

Sustainability

- In a 2015 survey this issue was raised 3 times more than the next most important issue.
- GFOA's new financial sustainability framework is based on **strong reciprocity and encourages cooperation, rather than competition.**
- A government and its financial resources are owned by all citizens of the government and often share the same sustainability challenges associated with the tragedy of the commons, where stakeholders find themselves competing over the same pool of resources.

10

Sustainability

Top financial sustainability concerns reported by GFOA members:

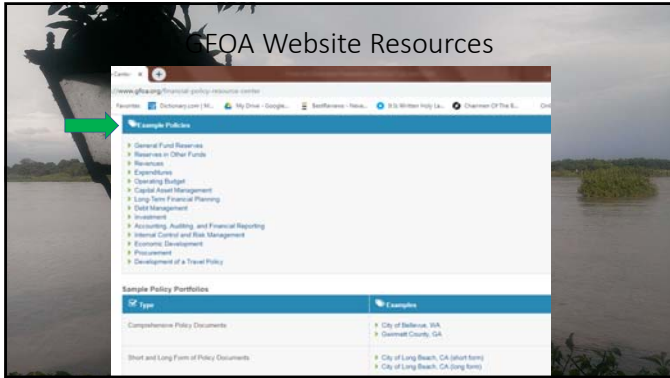
- Aging population
- Pensions and cost of health care
- Infrastructure maintenance and renewal
- Income and wealth inequality
- State and federal revenue sharing

11

Sustainability

- 1. LONG TERM VISION**
Establish a long-term vision to give people reason to cooperate over a sustained period of time
- 2. TRUST AND OPEN COMMUNICATION**
Build trust and open communication to encourage cooperation
- 3. COLLECTIVE DECISION-MAKING**
Use collective decision-making to foster a forum to cooperate
- 4. SET RULES**
Set rules and ensure they are followed
- 5. TREAT PEOPLE FAIRLY**
Treat participants fairly under the rules

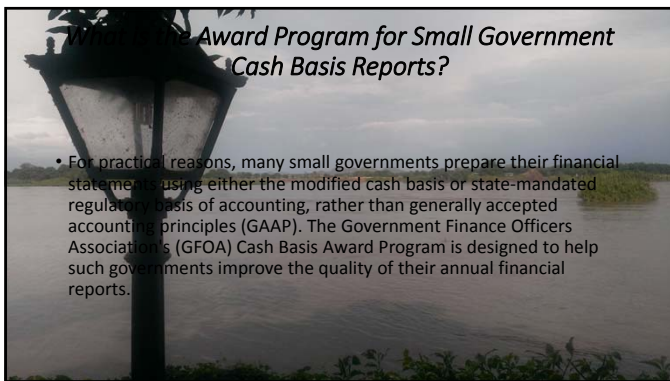
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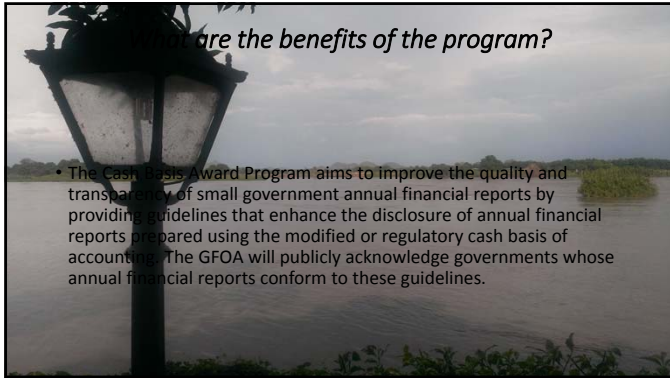
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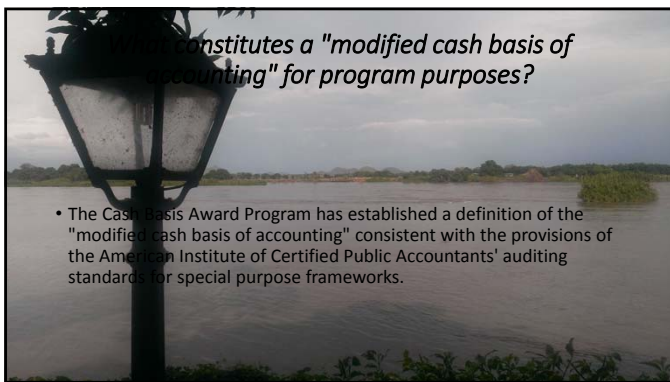
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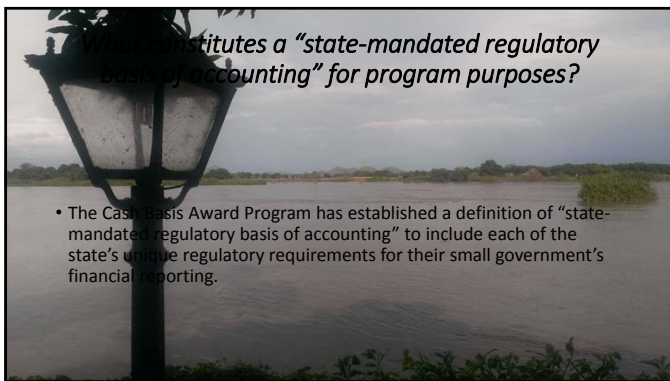
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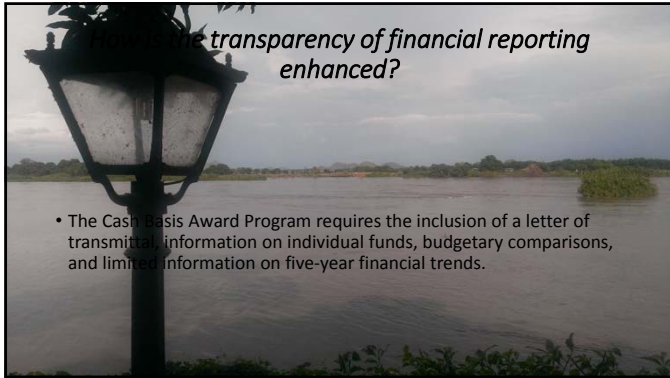
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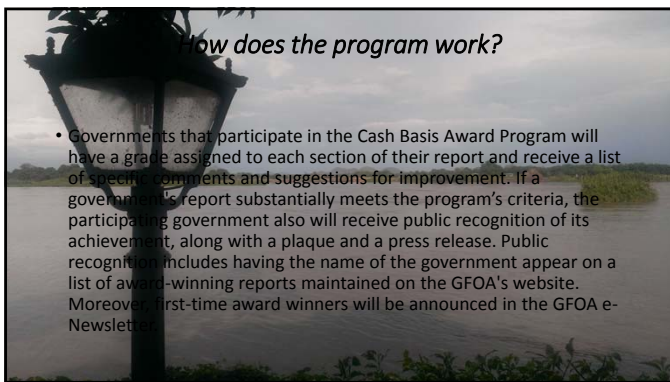
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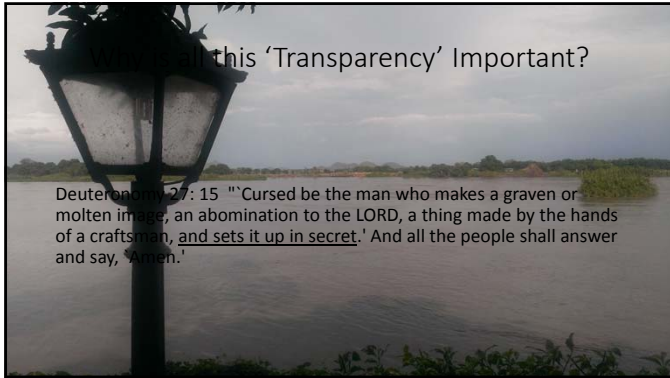
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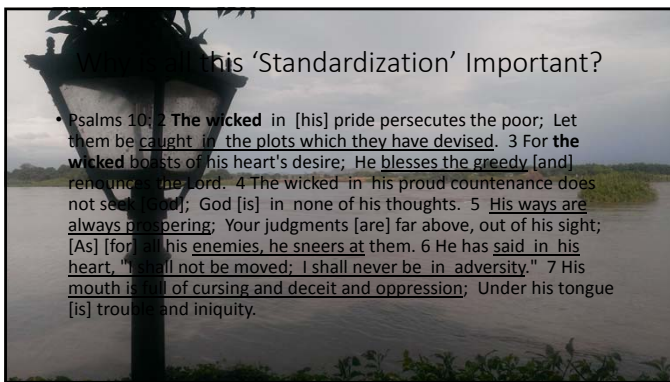
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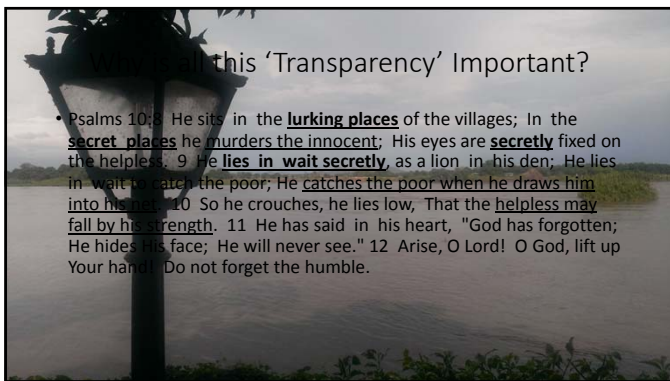
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26



27

Why is this 'Standardization' Important?

Discretion
noun

the quality of behaving or speaking in such a way as to avoid causing offense or revealing private information.

"she knew she could rely on his discretion"

Synonyms: judgment, inspection, carefulness, caution, wariness, guardedness

28

Why is this 'Standardization' Important?

covert
covert adjective

not openly acknowledged or displayed.

"covert plans to sell arms"

Synonyms: secret, furtive, clandestine, surreptitious, stealthy, cloak-and-dagger, hole-and-corner, backstairs, backroom, hidden, under-the-table, concealed, private, undercover, underground; informal: hush-hush

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Best Practices in Financial Reporting

- **Targets and Guidelines**
 - GAAP Financial Reporting as the Base Line for State and Local Governments
- **Financial Statement Preparation**
 - Fund Accounting Applications
 - Timely Financial Reporting
- **Department Reporting**
 - Departmental Reports and Management's Discussion and Analysis
 - Departmental Reports and Supplementary Information
- **Non-GAAP Reporting**
 - Periodic Disclosure and the Comprehensive Annual Financial Report
 - Popular Reporting of Financial Information

30

Targets and Guidelines
Background:

- Since its inception early in the last century, the Government Finance Officers Association (GFOA) has been committed to the **transparency** and **reliability** of public-sector financial reports. As a result, GFOA has long been at the forefront of efforts to promote the highest standards of accounting, auditing, and financial reporting as represented by generally accepted accounting principles (GAAP), generally accepted auditing standards (GAAS), and *Government Auditing Standards* (GAS).
- GFOA also believes that state and local governments should not be satisfied with issuing only the basic financial statements required by GAAP, but should instead publish a comprehensive annual financial report (CAFR).

31

Targets and Guidelines
Recommendation:

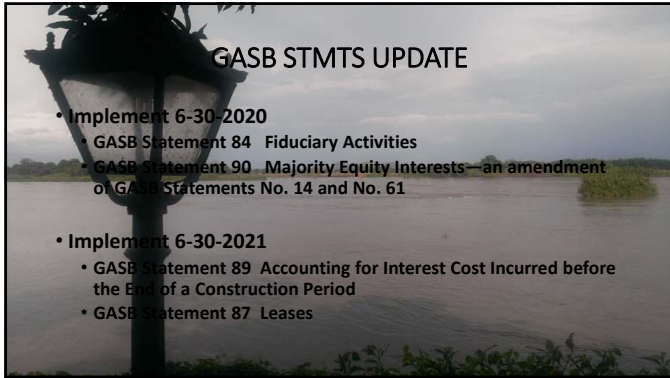
- GFOA urges individual state and local governments to fulfill their financial reporting responsibilities by:
 1. Maintaining an accounting system adequate to provide all of the data needed to allow for the timely preparation of financial statements for the entire financial reporting entity in conformity with GAAP;
 2. Issuing timely financial statements for the entire financial reporting entity in conformity with GAAP as part of a CAFR; and
 3. Having those financial statements independently audited in accordance with either GAAS or GAS, as appropriate.

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GASB STMTS UPDATE

- **Implemented Last Year:**
 - GASB Statement 86 Certain Debt Extinguishment Issues
 - GASB Statement 85 Omnibus 2017
 - GASB Statement 81 Irrevocable Split-Interest Agreements
- **Implement 6-30-2019**
 - GASB Statement 83 Certain Asset Retirement Obligations
 - GASB Statement 88 Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements

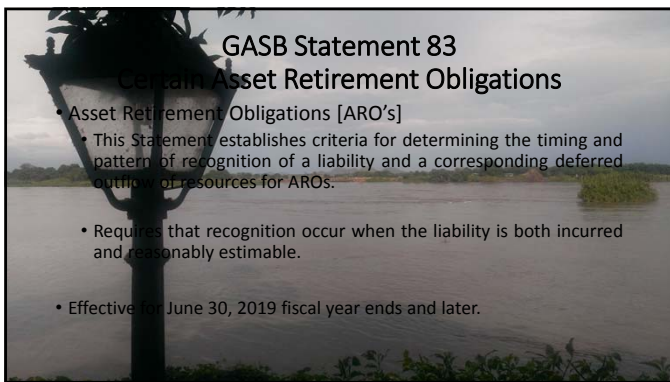
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GASB STMTS UPDATE

- **Implement 6-30-2020**
 - GASB Statement 84 Fiduciary Activities
 - GASB Statement 90 Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61
- **Implement 6-30-2021**
 - GASB Statement 89 Accounting for Interest Cost Incurred before the End of a Construction Period
 - GASB Statement 87 Leases

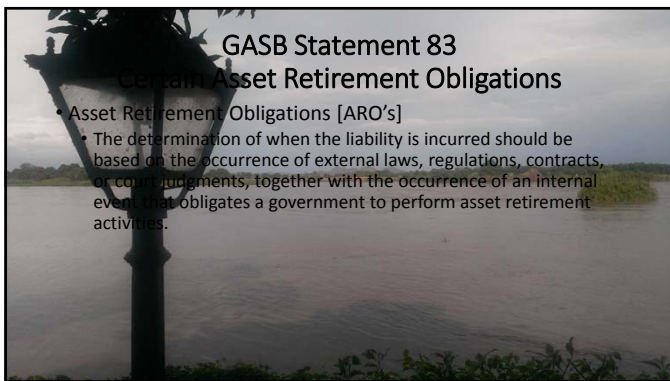
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GASB Statement 83
Certain Asset Retirement Obligations

- **Asset Retirement Obligations [ARO's]**
 - This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs.
 - Requires that recognition occur when the liability is both incurred and reasonably estimable.
- Effective for June 30, 2019 fiscal year ends and later.

35



GASB Statement 83
Certain Asset Retirement Obligations

- **Asset Retirement Obligations [ARO's]**
 - The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities.

36

GASB Statement 83
Certain Asset Retirement Obligations

- Asset Retirement Obligations [ARO's]
 - Requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. The best estimate should include probability weighting of all potential outcomes, when such information is available or can be obtained at reasonable cost.
 - If probability weighting is not feasible at reasonable cost, the most likely amount should be used.
 - Requires that a deferred outflow of resources associated with an ARO be measured at the amount of the corresponding liability upon initial measurement.

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GASB Statement 83
Certain Asset Retirement Obligations

- Asset Retirement Obligations [ARO's]
 - Requires the current value of a government's AROs to be adjusted for the effects of general *inflation or deflation* at least annually. In addition, it requires a government to evaluate all *relevant factors* at least annually to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays. A government should remeasure an ARO *only* when the result of the evaluation indicates there is a significant change in the estimated outlays.
 - The deferred outflows of resources should be reduced and recognized as outflows of resources (for example, as an expense) in a systematic and rational manner over the estimated useful life of the tangible capital asset.

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GASB Statement 83
Certain Asset Retirement Obligations

- Asset Retirement Obligations [ARO's]
 - A government may have a minority share (less than 50 percent) of ownership interest in a jointly owned tangible capital asset in which a nongovernmental entity is the majority owner and reports its ARO in accordance with the guidance of another recognized accounting standards setter.

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GASB Statement 83
Certain Asset Retirement Obligations

- Asset Retirement Obligations [ARO's]
- A government may have a minority share of ownership interest in a jointly owned tangible capital asset in which no joint owner has a majority ownership, and a nongovernmental joint owner that has operational responsibility for the jointly owned tangible capital asset reports the associated ARO in accordance with the guidance of another recognized accounting standards setter.

40

GASB Statement 83
Certain Asset Retirement Obligations

- Asset Retirement Obligations [ARO's]
- In both situations, the government's minority share of an ARO should be reported using the measurement produced by the nongovernmental majority owner or the nongovernmental minority owner that has operational responsibility, without adjustment to conform to the liability measurement and recognition requirements of this Statement.

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GASB Statement 83
Certain Asset Retirement Obligations

- Asset Retirement Obligations [ARO's]
- In some cases, governments are legally required to provide funding or other financial assurance for their performance of asset retirement activities. This Statement requires disclosure of how those funding and assurance requirements are being met by a government, as well as the amount of any assets restricted for payment of the government's AROs, if not separately displayed in the financial statements.

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GASB Statement 83
Certain Asset Retirement Obligations

- Asset Retirement Obligations [ARO's]
 - Requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets.
- If an ARO (or portions thereof) has been incurred by a government but is not yet recognized, because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor.
- This Statement requires similar disclosures for a government's minority shares of AROs.

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GASB Statement 88
Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements

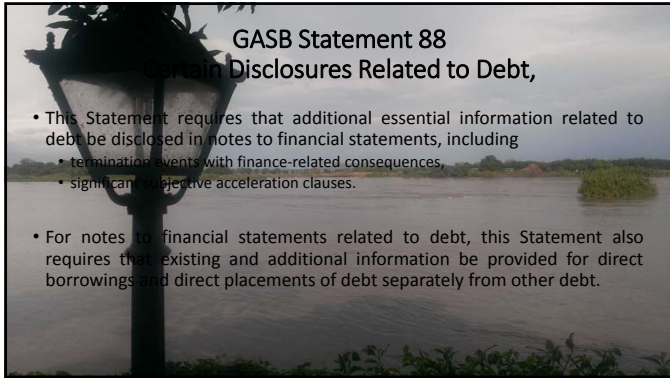
- Primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements.
- Also clarifies which liabilities governments should include when disclosing information related to debt.
- Effective for June 30, 2019 fiscal year ends and later.

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GASB Statement 88
Certain Disclosures Related to Debt,

- This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.
- This Statement requires that additional, essential, summarized information related to debt be disclosed in notes to financial statements, including
 - unused lines of credit;
 - assets pledged as collateral for the debt; and
 - terms specified in debt agreements related to significant events of default with finance-related consequences

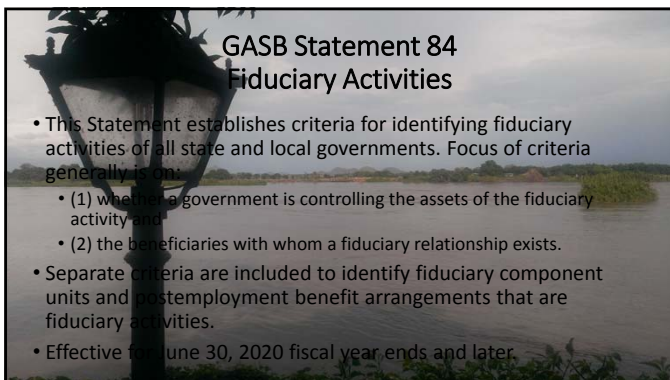
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GASB Statement 88
Required Disclosures Related to Debt,

- This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including
 - termination events with finance-related consequences,
 - significant subjective acceleration clauses.
- For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

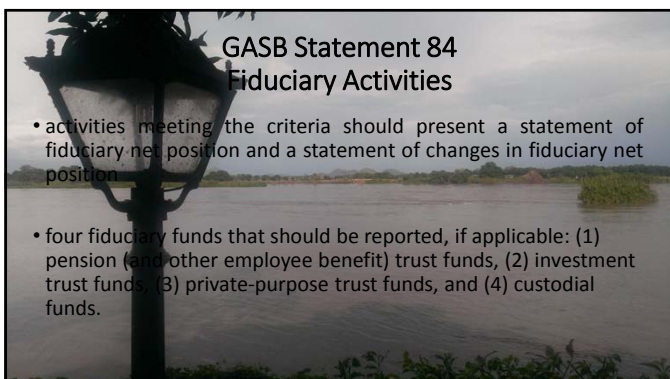
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GASB Statement 84
Fiduciary Activities

- This Statement establishes criteria for identifying fiduciary activities of all state and local governments. Focus of criteria generally is on:
 - (1) whether a government is controlling the assets of the fiduciary activity and
 - (2) the beneficiaries with whom a fiduciary relationship exists.
- Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.
- Effective for June 30, 2020 fiscal year ends and later.

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GASB Statement 84
Fiduciary Activities

- activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position
- four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds.

48

GASB Statement 90
Majority Equity Interests—an amendment of GASB
Statements No. 14 and No. 61

- The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.
- defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment.

49

GASB Statement 90
Majority Equity Interests—an amendment of GASB
Statements No. 14 and No. 61

- A majority equity interest that meets the definition of an *investment* should be measured using the *equity method*, unless it is held by a 1) special-purpose government engaged only in fiduciary activities, 2) a fiduciary fund, or an 3) endowment (including permanent and term endowments) or 4) permanent fund.
- Those governments and funds [1-4] should measure the majority equity interest at *fair value*.

50

GASB Statement 90
Majority Equity Interests—an amendment of GASB
Statements No. 14 and No. 61


- For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and
- the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method.
- ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit

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GASB Statement 90
Majority Equity Interests—an amendment of GASB
Statements No. 14 and No. 61

- requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit.
- Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

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LUNCH

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Best Practices in Financial Reporting

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 - Departmental Reports and Supplementary Information
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 - Periodic Disclosure and the Comprehensive Annual Financial Report
 - Popular Reporting of Financial Information

54

Targets and Guidelines
Background:

- Since its inception early in the last century, the Government Finance Officers Association (GFOA) has been committed to the **transparency** and **reliability** of public-sector financial reports. As a result, GFOA has long been at the forefront of efforts to promote the highest standards of accounting, auditing, and financial reporting as represented by generally accepted accounting principles (GAAP), generally accepted auditing standards (GAAS), and *Government Auditing Standards* (GAS).
- GFOA also believes that state and local governments should not be satisfied with issuing only the basic financial statements required by GAAP, but should instead publish a comprehensive annual financial report (CAFR).

55

Targets and Guidelines
Recommendation:

- GFOA urges individual state and local governments to fulfill their financial reporting responsibilities by:
 1. Maintaining an accounting system adequate to provide all of the data needed to allow for the timely preparation of financial statements for the entire financial reporting entity in conformity with GAAP;
 2. Issuing timely financial statements for the entire financial reporting entity in conformity with GAAP as part of a CAFR; and
 3. Having those financial statements independently audited in accordance with either GAAS or GAS, as appropriate.

56

Targets and Guidelines
Recommendation:

- For **some small governments**, the preparation of GAAP financial statements may not be feasible. The GFOA urges that such governments, at a minimum, issue timely financial statements prepared **on a modified cash basis** and independently audited in accordance with either GAAS or GAS, as appropriate.
- Furthermore, GFOA recommends that **state governments** enact legislation **requiring local governments** to maintain an accounting system adequate to provide all of the data needed to prepare timely financial statements in conformity with GAAP (or the modified cash basis of accounting, for small governments for which the preparation of GAAP financial statements is not feasible) and to have those financial statements independently audited in accordance with GAAS or GAGAS.

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Fund Accounting Applications
Background:

- One important objective of external financial reporting is to help users assess accountability by assisting in determining compliance with finance-related laws, rules, and regulations. To achieve this goal, state and local governments organize and operate their accounting systems on a fund basis.
- Accounting and financial reporting are complementary, yet distinct.
 - *Accounting* is the process of assembling, analyzing, classifying, and recording financial data and necessarily requires that data be maintained a high level of detail.
 - *Financial reporting*, on the other hand, is the process of providing the information that is assembled, analyzed, classified, and recorded in a practical, summarized form suitable for decision makers.
- The effective use of fund accounting requires that funds be established in a manner suitable for both purposes.

58

Fund Accounting Applications
Background:

- The number of funds should be driven by the needs of management. The number of funds reported in external financial reports, on the other hand, should be based on the needs of financial statement users, who typically need and desire less detailed data.
- Accordingly, separate funds within an accounting system often can and should be combined to form a single fund for purposes of general purpose external financial reporting.

59

Fund Accounting Applications
Background:

- Sometimes governments inappropriately combine funds in their financial statements that ought not to be combined, thus denying financial statement users valuable information on legal compliance.
- More commonly, governments report more funds than are truly necessary to achieve the goals of general purpose external financial reporting, thereby needlessly adding to the length and complexity of their financial reports and potentially increasing audit fees.

60

Financial Reporting and Accounting Applications
 Recommendation:

- GFOA recommends that every state or local government that uses fund accounting establish clear criteria for determining whether a given fund in its accounting system should be treated as a fund for purposes of external financial reporting.
- The application of these criteria to individual funds should be documented and then periodically reviewed to take into account changes in circumstances (for example, a significant decrease in a revenue source reported as a separate special revenue fund).

61

Financial Reporting and Accounting Applications
 Recommendation:

- A government's periodic review of its fund structure ought to specifically consider whether the goals of general purpose external financial reporting could better be achieved by combining similar funds in the accounting system into a single fund for financial reporting purposes. For example, it may be possible to combine a number of smaller debt service funds or capital projects funds into a single debt service fund or a single capital projects fund in the financial report. Likewise, it might be possible to combine individual grant funds that are available for similar purposes (e.g., special education) into a single special revenue fund.

62

Timely Financial Reporting
 Background:

- Financial reports are intended to meet the needs of decision makers. Accordingly, *timeliness* was identified as one of the *characteristics of information in financial reporting* in Concepts Statement No. 1 of the Governmental Accounting Standards Board (GASB), *Objectives of Financial Reporting*.
- To accomplish this objective, financial reports must be available in time to inform decision making.
- Therefore, financial reports should be published as soon as possible after the end of the reporting period.

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FINANCIAL STATEMENT PREPARATION

Timely Financial Reporting

Background:

- Timely financial reporting cannot be reduced to a well managed busy season, but rather requires careful, yearlong planning and monitoring (e.g., data processing, audit field work).
- Sometimes the need for **timeliness** has to be balanced against the need for **reliability**, which also was identified as one of the *characteristics of information in financial reporting* identified in GASB Concepts Statement No. 1.
- Such a year-long process can help a government avoid material auditor identified adjustments that Statement on Auditing Standards No. 112, *Communicating Internal Control Matters Identified in an Audit*, would require to be reported as a significant deficiency or a material weakness. Refer to the GFOA recommended practice on *Mitigating the Negative Effects of Statement on Auditing Standards No. 112*.

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FINANCIAL STATEMENT PREPARATION

Timely Financial Reporting

Background:

- While governments certainly should not sacrifice reliability for timeliness, minor gains in precision ought not to be purchased at the price of indefinite delay (e.g., accounting estimates).
- Legislative deadlines for submitting financial statements should be viewed as a minimum standard rather than as an ideal objective. The same holds true for the submission deadlines used by various award programs such as the GFOAs Certificate of Achievement for Excellence in Financial Reporting Program.
- The additional cost of more timely financial reporting (e.g., additional staff and overtime) also needs to be considered. As always, the cost to be incurred should never exceed the benefits anticipated.

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FINANCIAL STATEMENT PREPARATION

Timely Financial Reporting

Recommendation:

- GFOA makes the following recommendations about ways to improve the timeliness of financial reports for governmental entities:
 1. Recording activity throughout the year
 2. Closing and financial statement preparation processing
 3. Implementation of new accounting standards
 4. Financial report format and distribution
 5. Contracting for professional services

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Timely Financial Reporting
Recommendation:

- Closing and financial statement preparation processing:
 - *Transactions processing:*
 - A government should undertake a process at **least quarterly** to ensure the ongoing completeness and accuracy of the data it collects.
 - The process should include **appropriate reconciliations** to identify needed adjustments, as well as **financial analysis** of interim management reports to identify anomalous or incomplete data that may need to be corrected.
 - The verification process should be particularly useful in identifying amounts that will **need to be estimated** as part of the annual verification process so that the **data needed** to make those estimates at year end **can be collected throughout the period**.
 - The process should facilitate the recording of certain items, for example, capital assets, throughout the year rather than after the fiscal year has ended.

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Timely Financial Reporting
Recommendation:

- Closing and financial statement preparation processing:
 - *Accounting policies and procedures:*
 - The governments documented accounting policies and procedures should **identify** those items that may need to be estimated – and **describe** the specific steps (including significant assumptions) to be followed in preparing each different kind of estimate. The procedures should specifically address whether each of these items is to be **recorded** during the year, **as part of the initial year end closing process**, or **as part of the adjustment and analysis process immediately prior to the final year end closing process**.
 - Examples would include items related to derived tax revenues (e.g., sales and income taxes), uncollectible accounts, claims and judgments, the liability for landfill closure and postclosure care costs, and pollution remediation obligations.

68

Timely Financial Reporting
Recommendation:

- Closing and financial statement preparation processing:
 - *The annual closing process:*
 - The initial annual close normally occurs within a week to ten days following the end of the period.
 - To avoid delays, all items related to budgetary expenditures (e.g., purchase orders) should be recorded by the end of the period (with exceptions being made only for highly unusual items like natural disasters and major information systems failures).

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Timely Financial Reporting
Recommendation:

FINANCIAL STATEMENT PREPARATION

- Closing and financial statement preparation processing:
 - *Component Units:*
 - When a government includes component units (either blended or discretely presented) as part of its financial reporting entity, there needs to be early and ongoing communication with those units to ensure that the government receives all of the information it needs to include them in its own report without delaying its issuance. Experience appears to demonstrate that there is no substitute for one or more face-to-face meetings for this purpose, although ongoing updates normally can be managed effectively by e-mail, telephone, or FAX.

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Timely Financial Reporting
Recommendation:

FINANCIAL STATEMENT PREPARATION

- Closing and financial statement preparation processing:
 - *Unforeseen circumstances:*
 - The financial report preparation process and the independent audit may identify items that could affect the amounts reported in the financial statements (e.g., lawsuits; legal or contractual violations that include a monetary penalty; instances of potential or actual fraud or abuse).
 - Considerable time may be needed to definitively resolve such items. In such cases, the inherent uncertainty should not unduly delay the financial report preparation process and the independent audit. Accordingly, it often is better to proceed with the issuance of the financial statements based upon estimates, rather than to delay their issuance.

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Timely Financial Reporting
Recommendation:

FINANCIAL STATEMENT PREPARATION

- Implementation of new accounting standards
 - *Facilitating implementation of new accounting standards:*
 - To ensure that accounting standards are implemented by their mandated effective date a government should monitor the issuance of final guidance from the Governmental Accounting Standards Board (GASB).
 - Upon issuance of such guidance, a government should determine the fiscal year by which the guidance must be implemented and when steps to implement the guidance should be scheduled prior to and during the year of implementation as well as during the financial statement preparation process.
 - To the extent practical, governments should attempt to implement the guidance by at least the period before implementation is mandated.

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Timely Financial Reporting
Recommendation:

FINANCIAL STATEMENT PREPARATION

- Financial report format and distribution
 - *Electronic distribution:*
 - To save time and avoid potential delays, the government should initially distribute its financial report electronically (e.g., posting on website, e-mailing an electronic file, or making a CD-ROM).
 - The South Carolina State Auditor's Office recently implemented this for all reports they issue.

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Timely Financial Reporting
Recommendation:

FINANCIAL STATEMENT PREPARATION

- Contracting for professional services:
 - *Audit requirement.* The request for proposal (RFP) for the services of an independent auditor should **specify a public release date** for the financial statements.
 - *Contracts for professional services other than auditing.* RFPs for nonaudit services that have a bearing on the financial statements (e.g., actuarial services) should **specify the public release date** of the financial statements and expressly mention that those services need to be completed in time to allow the government to meet that deadline.

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Periodic Disclosure and the Comprehensive Annual Financial Report
Background:

Non-GAAP Reporting

- Securities and Exchange Commission (SEC) Rule 15c2-12 requires that issuers of municipal securities or obligated persons undertake in a written agreement or contract for the benefit of holders of such securities to provide certain annual financial information to various information repositories.
- Rule 15c2-12 does not establish a standardized format for the presentation of periodic financial disclosures. Rather, the required annual financial information may be presented through any disclosure document or set of documents, whatever their form or principal purpose, that includes the necessary information.

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Periodic Disclosure and the Comprehensive Annual Financial Report
Background:

- The appropriate means of meeting periodic disclosure requirements is determined by each government in consultation with appropriate legal counsel.
- The Government Finance Officers Association (GFOA) is on record recommending that all state and local governments prepare and publish a comprehensive annual financial report (CAFR). GFOA believes that the CAFR should be the normal means for a government to meet its financial reporting responsibilities.

• Non-GAAP Reporting

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Periodic Disclosure and the Comprehensive Annual Financial Report
Recommendation:

- GFOA recommends that governments subject to SEC Rule 15c2-12 consider using the CAFR as their disclosure document for providing information useful to existing and potential investors in the secondary market and meeting their obligation to provide annual disclosure for the secondary market, as required by Rule 15c2-12.
- All the same, for practical reasons, governments that elect to use the CAFR in this manner should be sure that the undertaking commits the government only to the periodic disclosure of specified annual financial information as provided in the amendments to Rule 15c2-12, and not to the periodic issuance of a CAFR.

• Non-GAAP Reporting

77

Reporting of Financial Information
Background:

- The scope of financial reports presented in conformity with generally accepted accounting principles (GAAP) is broad and data in those reports are usually presented at a high level of detail. Such comprehensive and detailed presentations are needed to meet the needs of decision-makers and to demonstrate compliance with legal requirements to oversight bodies and others. Annual financial reports issued in conformity with GAAP are essential if governments are to meet their obligation to be accountable to their citizens. Unfortunately, the comprehensiveness and level of detail found in many GAAP reports may confuse or discourage those unfamiliar with accounting and financial reporting.

• Non-GAAP Reporting

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Reporting of Financial Information
Recommendation:

- GFOA has long been on record as encouraging every state and local government to issue a comprehensive annual financial report (CAFR) in conformity with GAAP.
- GFOA also encourages governments to supplement their CAFR with simpler, "popular" reports designed to assist those who need or desire a less detailed overview of a government's financial activities. Such reporting can take the form of consolidated or aggregated presentations, or a variety of other formats. GFOA recommends that popular reports exhibit the following characteristics to be most effective:

• Non-GAAP Reporting

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Reporting of Financial Information
Recommendation:

- GFOA recommends that popular reports exhibit the following characteristics to be most effective:
 - The data in the popular report should be extracted from the CAFR;
 - The popular report should be issued on a timely basis, no later than six months after the close of the fiscal year, so that the information it contains is still relevant;
 - The scope of the popular report should be clearly indicated (i.e., does the popular report include component units as well as the primarily government?);
 - The popular report should mention the existence of the CAFR for the benefit of readers desiring more detailed information;

• Non-GAAP Reporting

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Reporting of Financial Information
Recommendation:

- GFOA recommends that popular reports exhibit the following characteristics to be most effective:
 - The popular report should attract and hold readers interest, convey financial information in an easily understood manner, present information in an attractive and easy-to-follow format and be written in a concise and clear style;
 - The popular report should avoid technical jargon to meet the needs of a broad, general audience and the report's message should be underscored, as appropriate, by photographs, charts, or other graphics;
 - The narrative should be used, as appropriate, to highlight and explain items of particular importance;

• Non-GAAP Reporting

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Reporting of Financial Information
Recommendation:

- GFOA recommends that popular reports exhibit the following characteristics to be most effective:
 - Comparative data should be used constructively to help identify trends useful in the interpretation of financial data;
 - Popular reports should be posted on the governments web site. Hardcopies, when issued, should be distributed in a number and manner appropriate to their intended readership (e.g., newspaper or magazine inserts, sample copies provided to libraries, sample copies provided to professional offices);
 - Popular report preparers should strive for creativity;
 - Users of popular reports should be encouraged to provide feedback; and
 - Most important, the popular report should establish its credibility with its intended readers by presenting information in a balanced and objective manner.

Non-GAAP Reporting

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FINANCIAL APPLICATIONS - SELECTED

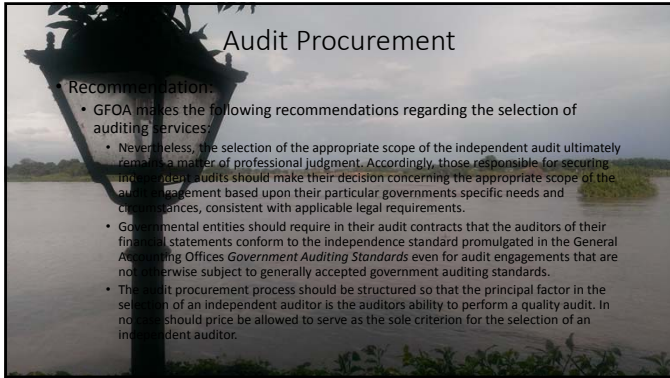
What is the minimum price of an "audit"?

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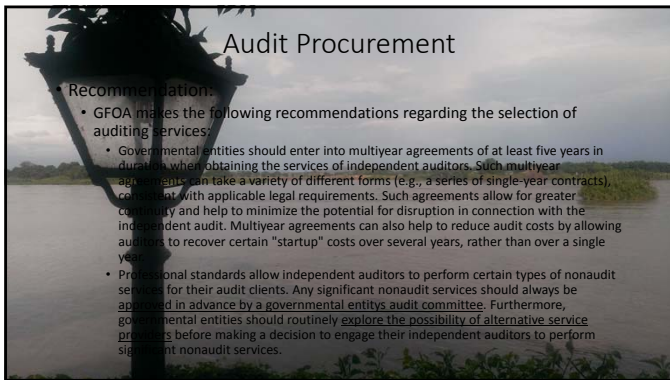
Audit Procurement

- **Background:**
 - The Government Finance Officers Association (GFOA) has long recommended that state and local governmental entities obtain independent audits of their financial statements performed in accordance with the appropriate professional auditing standards. Properly performed audits play a vital role in the public sector by helping to preserve the integrity of the public finance function and by maintaining citizens confidence in their elected leaders.
- **Recommendation:**
 - GFOA makes the following recommendations regarding the selection of auditing services:
 - The scope of the independent audit should encompass not only the fair presentation of the basic financial statements, but also the fair presentation of the financial statements of individual funds and component units. The cost of extending full audit coverage to the financial statements of individual funds and component units can be justified by the additional degree of assurance provided.

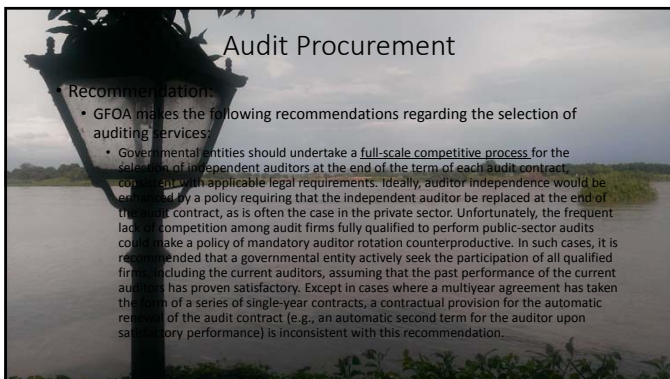
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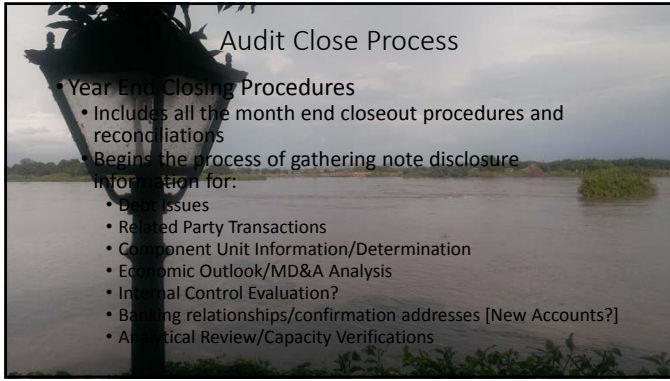
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Audit Close Process

- Year End Closing Procedures
 - Includes all the month end closeout procedures and reconciliations
 - Begins the process of gathering note disclosure information for:
 - Debt Issues
 - Related Party Transactions
 - Component Unit Information/Determination
 - Economic Outlook/MD&A Analysis
 - Internal Control Evaluation?
 - Banking relationships/confirmation addresses [New Accounts?]
 - Analytical Review/Capacity Verifications
