

CAFR: Contents, Challenges & Best Practices

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What is a CAFR



- ❑ Comprehensive Annual Financial Report
- ❑ A report which is beyond GAAP minimum reporting requirements
 - Basic Financial Statements
 - Required Supplementary Information
- ❑ Aims at parties interested in government's finances but do not have direct access to accounting data
- ❑ Provides wealth of information for those interested in state or local government's finances

WHY ISSUE A CAFR



Accountability

- Financial Reporting is mandated by either State Law, Municipal Code, City Charter or legislative body
- Main objective of financial reporting is "Accountability." - GASB Concepts Statement No. 1

Financial Reporting

- Provides and communicates accounting data.
- Submit yearly audited financial report
- Fairly stated & conformity with GAAP

What does CAFR do for accountability



- ❑ Serves as critical link between the accounting data and the users (taxpayers, citizens, legislative bodies, investors & creditors).
- ❑ Provides accounting to citizens for the use of public resources/funds.
- ❑ Assists users in evaluating the operating results.
- ❑ Assists users in assessing the level of services the government can provide and its ability to meet its obligations.
- ❑ GASB's Codification Sec 2200 - prepare and publish, as a matter of public records, a CAFR.

Governmental Accounting Standards Board



- F/S fairly stated & conform with GAAP
- Governmental Accounting Standards Board (GASB)
 - Establishes and improves standards of state and local governmental accounting and financial reporting
 - Guides and educates the public, including issuers, auditors, and users of financial reports.
 - Independent organization & not a government entity
 - But recognized by governments, the accounting industry, and the capital markets as the official source of generally accepted accounting principles (GAAP) for state and local governments.

GASB/GAAP



- ❑ GASB Standards – 58 standards issued since 1984, major is GASB 34
- ❑ Codification of GASB
- ❑ Governmental Accounting, Auditing & Financial Reporting – GFOA Blue Book



GASB/GAAP Application



"TO MAKE A LONG STORY SHORT, THE GENERALLY ACCEPTED ACCOUNTING PRACTICES WEREN'T AS GENERALLY ACCEPTED AS I THOUGHT."

FINANCIAL REPORT



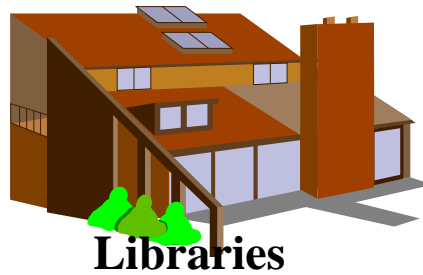
- Fairly stated & Conformity with GAAP
 - GAAP provide criteria for judging fairly presented financial report
 - Conformance with governmental accounting standards issued by Governmental Accounting Standards Board (GASB)
 - GAAP mandate a complete set of basic financial statements and required supplementary information (RSI)
 - GAAP encourage governments to imbed minimum presentation of basic financial statements (FS) in the Comprehensive Annual Financial Report (CAFR)



Citizens

Mayor, Council & Supervisors

City/County Administration



Libraries



State & Federal Agencies



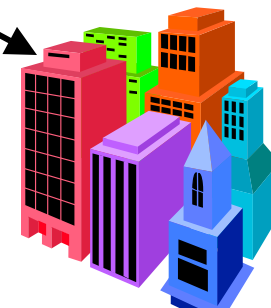
Bond Investors



Colleges & Universities



Cyberspace



Bond Rating Agencies

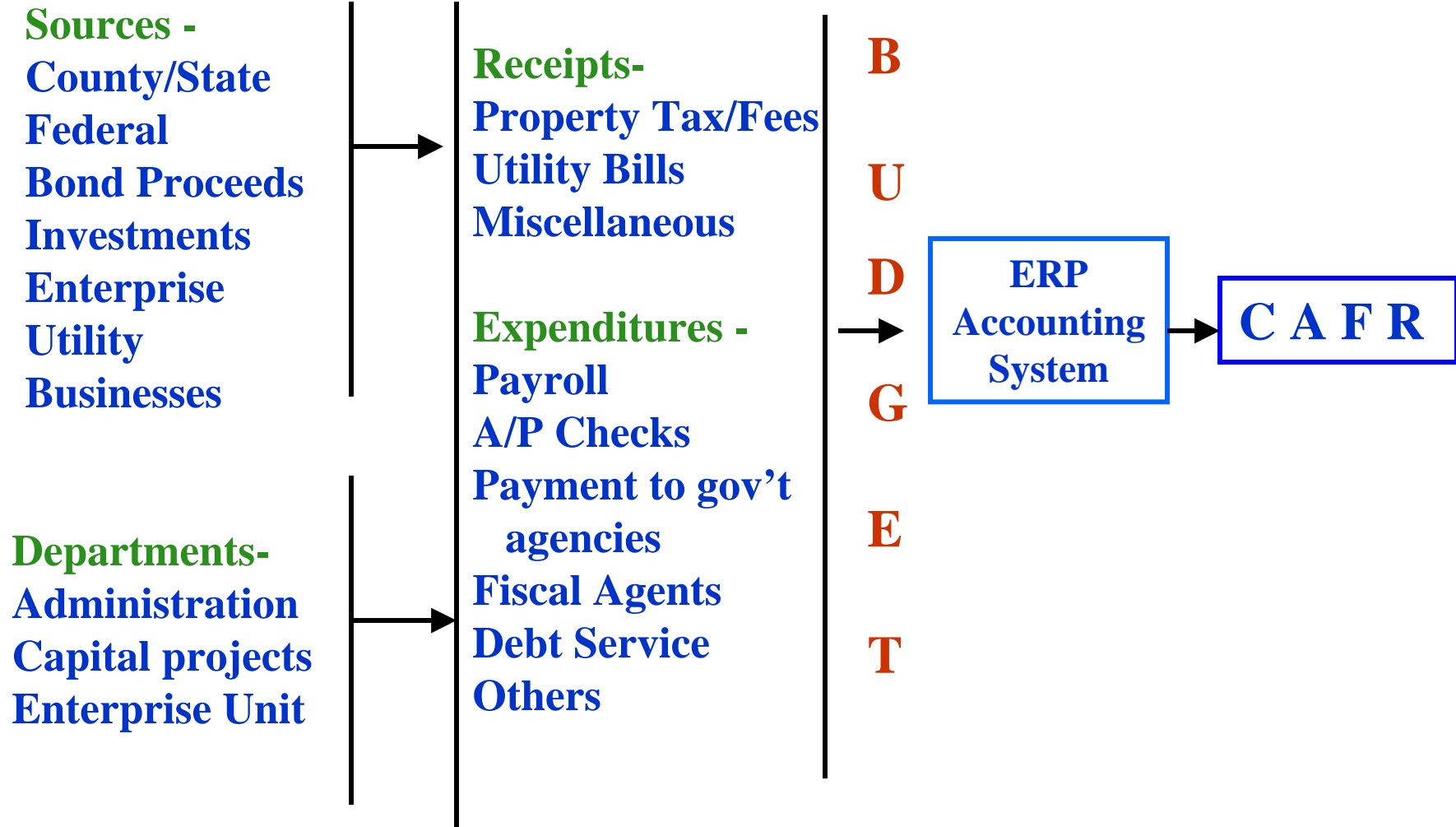
Value of CAFR



- Useful Information to Credit Analyst & Debt/Bond Rating Agencies
- Provides key trend data & economic base
- Presents Financial Condition & Relevant financial disclosures
- Confidence in the government's management and financial reporting
- Tools to keep in touch in the marketplace

Government Finance Review Magazine, 10/1993

Flow of Accounting Data to CAFR



CAFR Contents



At minimum, CAFR presents

1. Introductory Section

1. Provides general information on the government's structure, services, and environment

2. Financial Section

1. MD&A, Basic financial statements (F/S), Required Supplementary Information – GASB 34 MANDATORY REPORTING

2. Individual funds & discretely presented component units

3. Statistical Section

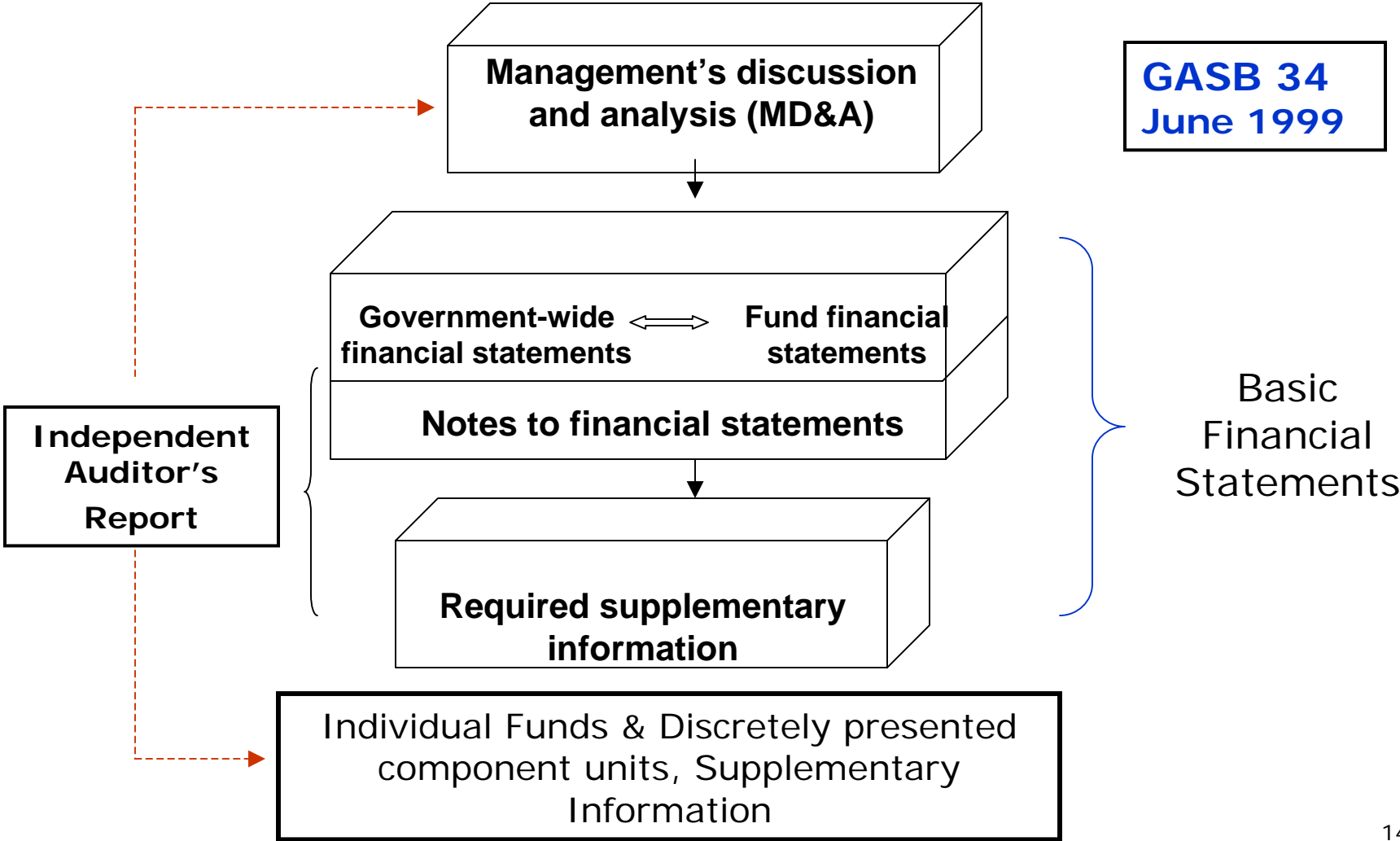
- Provides trend data and nonfinancial data useful in interpreting the basic F/S

Introductory Section



- Transmittal Letter
- Certificate of Achievement for Excellence in Financial Reporting Award
- Organizational Chart
- List of Principal Officials

Financial Section



Statistical Section



- GASB 44 requirements (issued May 2004)
 - Financial trends
 - Revenue Capacity Information
 - Debt capacity Information
 - Demographic & Economic Information
 - Operating Information

MD&A



- ❑ Originated in private sector, where SEC required MD&A on public traded companies' financial report
- ❑ Introduces the basic F/S and provides analytical overview of the government's financial activities
 - Narrative introduction & overview needed to interpret the basic financial statements (F/S)
- ❑ GASB 34 identifies a list of specific topics to be addressed in MD&A
- ❑ Data not included in transmittal letter

MD&A

Specific Contents



- ❑ Discussion of the basic F/S – Fund & Government-wide (GW)
 - Describe both F/S and explain significant differences
 - Discussion on how fund F/S reinforce the info in GW F/S
- ❑ Condensed comparative data of GW – (i.e. total assets/total liabilities, net assets, program revenues, program expenditures, etc)
- ❑ Overall analysis of financial position & results of operations – whether improved or deteriorated

MD&A Specific Contents



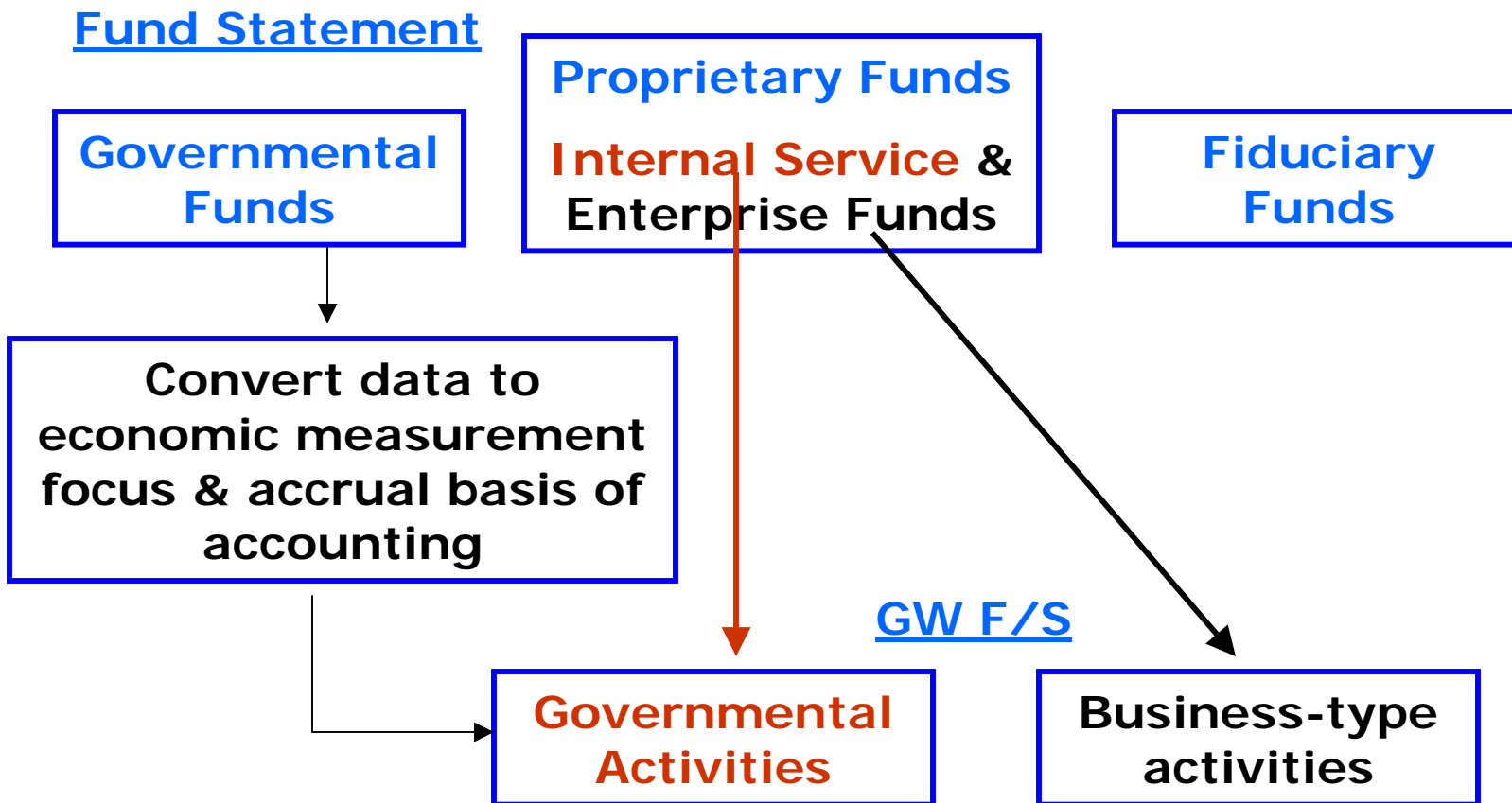
- Fund Analysis
- Budget variances in the General Fund
- Capital assets & Long-term debt activity
- Infrastructure
- Other potential significant matters
- Location of MD&A in CAFR
 - Place in front of the basic F/S
 - As RSI – following in the Notes to F/S

Basic Financial Statements



- Fund Statements (Fund Activities)
 - Demonstrate fiscal accountability
 - Current financial resources & modified accrual basis
 - Balance Sheet and Statement of Revenues, Expenditures & Changes in Fund Balances
- Government-wide Statements (Govt'al Activities)
 - Demonstrate Operational accountability
 - Economic resources measurement focus & accrual basis
 - Statement of Net Assets & Statement of Activities
- Notes to F/S

Fund Statement Vs. GW Statement



Notes to Financial Statements



- Summary of significant accounting policies
 - Measurement focus & basis of accounting
 - Policy on capital assets
 - Description of program revenues, operating & nonoperating revenues
 - Cash & equivalents, investment basis, invest income allocation
- All other disclosure necessary for adequate understanding of F/S
- Budgetary Information

Required Supplementary Information



- ❑ Budgetary Information – general fund and major special revenue funds
- ❑ Infrastructure condition & maintenance data (modified approach, avoids depreciation)
- ❑ Pension & Other Post Employment benefits (OPEB) – schedule of funding progress, schedule of employer contribution
- ❑ Revenue and claims development trend data (public-entity risk pools)

CAFR Process



□ Planning

- Six months in advance of fiscal year
 - Assign project coordinator – Management delegating the role & authority over the project
 - Identify & assign team members in the project
 - Prepare a production timeline
 - CAFR Training
 - GASB updates and new standards implementation
- Preparation
 - Prepare CAFR tasks list - preparation & review
 - Year-end accounting close list
 - Coordinate with External Auditors all phases of the CAFR production

CAFR Process

Is this okay! →



"You seem to have the qualifications we're looking for in an accountant"

CAFR Preparation Tips



- ❑ Prepare CAFR production timeline
- ❑ Review requested audit schedules & submit them on time to the auditors
- ❑ Conduct weekly audit progress meeting
- ❑ Prepare a Proofreading Checklist (i.e. Spelling, Grammar structure, Dollar sign where applicable, Underline & dashes)
- ❑ Printer Selection – proof final copy
- ❑ Plan a CAFR presentation to the legislative body or audit committee

GFOA Certificate of Achievement in Financial Reporting

What it is?

Program to encourage all government units to prepare and publish an easily readable and understandable Comprehensive Annual Financial Report (GFOA program since 1945).

Goal

- Earn a Certificate of Achievement Award
- Follow established GFOA criteria
 - General Purpose Preparer Checklist, 78 pages of questionnaire - www.gfoa.org
- Submit CAFR within six months after the Fiscal Year Ended



MILESTONE!



**Certificate of
Achievement for
Excellence in
Financial
Reporting
Award**

**Better service to taxpayers,
citizens, oversight & legislative
bodies, & investors/creditors).**



Sources of presentation: GASB 34, GFOA Blue Book, Government Finance Review Journal

Questions & Comments

