

## 4. REPORTING

### 4.9 GFOA Financial Reporting Recognition Programs

#### **Comprehensive Annual Financial Report (CAFR)**

4.9.10 Many state and local governments prepare a Comprehensive Annual Financial Report (CAFR) each year. The CAFR includes the required annual financial statements as well as other related information. The Government Finance Officers Association (GFOA) provides guidance on what to include in the CAFR in its publication, *Governmental Accounting, Auditing, and Financial Reporting (GAAFR)*. This publication is commonly referred to as the *Blue Book* as it has always had a blue, hardbound cover. For more information access [www.gfoa.org](http://www.gfoa.org) and select *publications*.

4.9.20 One reason for preparing a CAFR is to satisfy the obligations that governments incur to provide on-going information about themselves to holders of their bonded debt. The Securities and Exchange Commission (SEC) has adopted its Rule 15c2-12 which requires issuers of municipal debt to provide current information to the bond markets. Many governments provide this information in the form of their CAFRs. For more information on this subject, consult the attorneys who assist you with municipal debt matters.

4.9.30 Another reason may be to participate in the GFOA's *Certificate of Achievement for Excellence in Financial Reporting* program. This optional program recognizes excellence in the format of annual financial reports through a peer review. The peer review results in helpful comments to improve your CAFR. Those who qualify for the award will receive a plaque, reprintable award to be included in the following year's CAFR and a press release sent by the GFOA. For more information on this program access [www.gfoa.org](http://www.gfoa.org) and select *award programs*.

4.9.40 The comprehensive annual financial reports have to provide additional information which is not required in preparation of basic financial statements and it is not listed in the reporting part of the BARS Manual. This chapter highlights some of the differences between requirements for the CAFR and basic financial statements.

#### Date of Submittal

4.9.50 The CAFR must be postmarked no later than six months after the end of the local government fiscal year. An extension of 30 days is available when justified by extenuating circumstances. A government is not eligible to receive an extension in two consecutive years for the same reason.

The date of submittal for certificate differs from the legal requirements for financial reporting in the Washington state. RCW [43.09.230](#) requires all local governments to submit their financial reports 150 days after the close of their fiscal year. The statute does not provide for any extensions.

#### 4.9.60 Format

The CAFR should contain:

- Cover describing the document as CAFR including name of government, state, and fiscal period covered.
- Cover page including above information and also name of an individual or a department responsible for preparing the CAFR.

- Table of contents.

The pages should be numbered, text and numbers easily readable and the amounts rounded to nearest dollars. If a statement or schedule occupies more than one page, the statement or schedule should include word *continued* on the first and subsequent pages.

The content of the CAFR should follow a specific order (i.e., letter of transmittal, independent auditor's report, MD&A, government-wide financial statements, fund financial statements, notes, required supplementary information, other supplementary information, and statistical section).

The applicable parts of basic financial statements should follow the same order.

The SAO also requires including a certification.

#### 4.9.70 Letter of Transmittal

The letter of transmittal is required only in a preparation of CAFR. The letter of transmittal is a means of expressing more subjective information than would be acceptable for MD&A. The local governments are encouraged not to duplicate information contained in the MD&A. The NCGA Statement 1 established the requirement for the letter of transmittal, but offered no guidance what type of information the letter should contain, so, historically the GFOA provides this guidance.

The letter of transmittal should be printed on the government's official letterhead. It should represent a joint communication of the chief financial officer and either the chief executive officer or the chief operating officer. The letter should be dated on the date the CAFR is first made available to the public. If dated earlier, the letter's date should not precedes that of the independent auditor's report.

Detailed requirements of the letter's content are provided in the *Governmental Accounting, Auditing, and Financial Reporting (GAAFR)*.

#### 4.9.80 Independent Auditor's Report

The financial section must include an independent auditor's report on the fair presentation of the financial statements. The auditor has to perform the audit in accordance with either generally accepted auditing standards (GAAS) or generally accepted government auditing standards (GAGAS). The scope of the auditor's opinion at least must encompass the fair presentation of the basic financial statements. In addition, the auditor's report must provide at least in relation to audit coverage for other contents of the CAFR financial section.

For more information see the *Governmental Accounting, Auditing, and Financial Reporting (GAAFR)*.

#### 4.9.90 Management's Discussion and Analysis (MD&A)

MD&A must be included in both the CAFR and basic financial statements. The requirements presented in the BARS Manual meet the CAFR provisions.

4.9.100 Government-Wide Financial Statements

Government-wide financial statements must be included in both the CAFR and basic financial statements. The requirements presented in the BARS Manual meet the CAFR provisions.

4.9.110 Fund Financial Statements

Fund financial statements must be included in both the CAFR and basic financial statements. The requirements presented in the BARS Manual meet the CAFR provisions.

4.9.120 Notes to the Financial Statements

The notes to the financial statements must be included in both the CAFR and basic financial statements. The requirements presented in the BARS Manual do not meet the CAFR provisions. For CAFR requirements see the *Governmental Accounting, Auditing, and Financial Reporting (GAAFR)*.

4.9.130 Required Supplementary Information (RSI)

The RSI must be included in both the CAFR and basic financial statements. The requirements presented in the BARS Manual meet the CAFR provisions.

4.9.140 Other Supplementary Information

CAFR requires the presentation of combining and individual funds; budgetary information for other governmental funds with legally adopted budgets, statement of changes in assets and liabilities for individual agency funds. The government may disclose other information (e.g., capital assets by functional areas, etc.). For CAFR requirements see the *Governmental Accounting, Auditing, and Financial Reporting (GAAFR)*.

This information is not required for the basic financial statements. However, local governments in the Washington state are required to provide additional schedules to meet their statutory reporting requirements (RCW [43.09.230](#)). The schedules are listed in the BARS Manual.

4.9.150 Statistical Section

The statistical section is required only in a CAFR. Refer to the *Governmental Accounting, Auditing, and Financial Reporting (GAAFR)* and the [GASB Statement 44, Economic Condition Reporting: The Statistical Section \(an amendment of NCGA Statement 1\)](#).

4.9.160 Other Information

This information is required only in preparation of CAFR. The entity should disclose list of the government's principal officials and the organizational chart, copy of the previous certificate, etc.

For more information see the *Governmental Accounting, Auditing, and Financial Reporting (GAAFR)*.