

**PLAN FOR PREPARING THE STATE'S GAAP BASIS FINANCIAL STATEMENTS**

The State must issue audited Generally Accepted Accounting Principles (GAAP) basis financial statements, together with the opinion of the State Auditor General at the end of every fiscal year.

The General Accounting Office (GAO) will obtain GAAP data from agencies on closing packages.

GAAP for governments consist of written authoritative standards issued by officially designated standard-setting organizations. Currently in the United States, the designated organizations are:

- The Governmental Accounting Standards Board (GASB) created in 1984.
- The Financial Accounting Standard Board (FASB) created in 1973.

The industry audit guides that the American Institute of Certified Public Accountants (AICPA) issues are also part of GAAP. The AICPA has played a key role in setting accounting standards for the last one hundred years.

**THE CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING**

The Government Finance Officers' Association (GFOA) has been involved for many years in encouraging governments to adhere to high standards of financial reporting. The GFOA awards its prestigious Certificate of Achievement for Excellence in Financial Reporting to governments who produce a Comprehensive Annual Financial Report (CAFR) that meets its standards.

To qualify as "comprehensive," the CAFR must include all funds and component units of the entity, in accordance with GAAP as established by the GASB. The financial section of the CAFR must include an independent auditor's report on the fair presentation of the financial statements.

To apply for the certificate, a government must issue an Audited Comprehensive Annual Financial Report no later than six months after the end of its fiscal year. Recipient governments must meet any other stringent reporting standards, as well.

**CLOSING PACKAGE**

Each closing package in this manual:

- Deals with a single area of accounting data.
- Requires that certain agencies complete and submit forms to report year-end adjustments needed for GAAP.

Because the State must issue GAAP basis financial statements and the State's accounting system, AFIS, is not completely GAAP basis, the agencies must complete the applicable closing packages. **Only then can the GAO close the State's GAAP-basis books.** This is why the packages are called "*closing packages*".

Important features of closing packages include the following:

- Agencies complete the closing package for accounting events that occur on or before **June 30<sup>th</sup>**.
- Agencies complete only the closing package sections that apply to them.
- All closing packages have a similar format.

The Forms are designed for use by all fund categories: governmental, proprietary, and fiduciary funds. There are some closing packages where any fund can be reported on a general form. However, there are some closing packages where the form was designed for a specific type of fund. The following is an explanation of fund categories:

**GOVERNMENTAL FUNDS****GENERAL**

A self-balancing set of accounts used to account for and report all financial resources not accounted for and reported in another fund.

**SPECIAL REVENUE**

A self-balancing set of accounts used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

**CAPITAL PROJECTS**

A self-balancing set of accounts used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

DEBT SERVICE	A self-balancing set of accounts used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.
PERMANENT	A self-balancing set of accounts used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used to support the reporting government's programs – that is, for the benefit of the government or its citizenry. Permanent funds do not include private-purpose trust funds, which should be used to report situations in which the government is required to use the principal or earnings for the benefit of individuals, private organizations, or other governments.

### **PROPRIETARY FUNDS**

ENTERPRISE	A self-balancing set of accounts used to account for operations that are financed and operated in a manner similar to private business enterprises.
INTERNAL SERVICE	A self-balancing set of accounts used to account for the financing of goods and services provided by one department or agency to other state departments or agencies.

### **FIDUCIARY FUND TYPES**

PENSION AND OTHER EMPLOYEE BENEFIT TRUST	A self-balancing set of accounts used to account for and report resources that are required to be held in trust for the members and beneficiaries of defined benefit plans, defined contribution plans, or other postemployment benefits plans.
INVESTMENT TRUST	A self-balancing set of accounts used to account for assets held by the state in a trustee capacity for local governments and political subdivisions, which are placed into investment pools.
PRIVATE-PURPOSE	A self-balancing set of accounts used to account for assets held by the state in a trustee capacity for individuals, private organizations, and other governments, used to report all other trust arrangements.
AGENCY	A self-balancing set of accounts used to account for assets held by the state as an agent for distribution to other governments and organizations.

The General Survey and Checklist will help the agency decide which closing packages the agency will need to complete. **Section A.3 – Due Dates** includes the dates that each of the closing package forms is due. Upon completing the General Survey and Checklist, return the form to GAO on or before the due date.

#### Format of a Closing Package

Each closing package includes the following:

- Purpose and objective.
- Agency action required.
- Interactive forms.
- Instructions on how to complete the form, if applicable.

Glossary of terms available at [https://gao.az.gov/sites/default/files/X-Glossary\\_0.pdf](https://gao.az.gov/sites/default/files/X-Glossary_0.pdf)

#### Purpose of Working Papers

Agencies should keep working papers (hard copy or electronic) to support each amount they enter on each closing package form. The Auditor General's Office may review some or all of your working papers when the statewide financial statements are audited.

#### General Suggestions

- Working papers should be neat, legible, complete, accurate, and logically organized.
- Each working paper should indicate the purpose for which it was prepared.
- Your working papers should clearly support the conclusion(s) you reached and the amounts you entered on closing package forms.
- Each working paper should bear the name of the preparer, the preparation date, and contact information.
- Systematically index your working papers. That is, assign a unique identifier (index) to each working paper. Write each working paper's index in a standard position on the page – such as the bottom right. Cross-reference data among working papers when appropriate by referring to the appropriate index.
- The agency is responsible for keeping all working papers in accordance with the Arizona State Library, Archives, and Public Records' retention schedule for financial reporting. Include a copy of each completed closing package form with the working papers.