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We Agree, and We Don't

GFOA's Code of Ethics requires finance officers to disclose the information that both local officials and the public need to fully understand the financial condition of their communities. It also emphasizes the importance of striving to produce timely information. This concept—that the timely disclosure of relevant information is crucial to a well-run local government—is part of GFOA's core values, and it provides the foundation for our awards programs, advocacy work, and education.

Most people agree with this idea, but we can find ourselves disagreeing about the best path to get there. Many people think that our method of reporting, using the current generally accepted accounting principles (GAAP), may not be the best way to achieve the objectives of transparency and accountability. This is backed by continued feedback from our members. The complexity of GAAP's requirements, especially some of the recent changes, have led to additional time and effort, and many practitioners think this makes

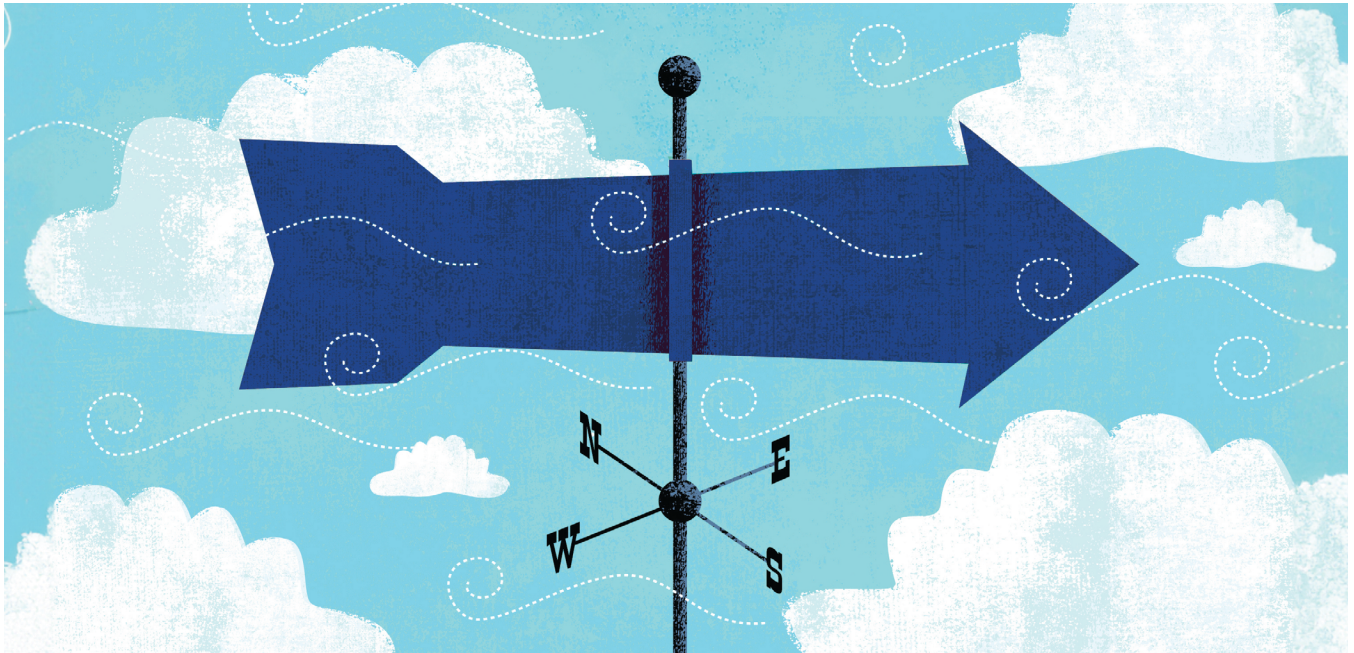
communication with the public and other key stakeholders more difficult.

GFOA's Rethinking initiatives (like Rethinking Financial Reporting) were designed to ask questions that will lead to discoveries about what drives value in common finance processes. And now is the time to ask if lengthy, technical financial reports that are published months after the close of the fiscal year are the most effective way to achieve transparency goals, inform citizens, and ultimately work to build trust. Recent GASB statements have not only added significant time and expense to the task of producing financial reports, but as with any major change, they also create confusion. This impact is most felt among the many local governments that are already facing challenges in recruiting and retaining staff and lack the resources to purchase more software or hire consultants.

With the recently passed Financial Data Transparency Act of 2022 (FDTA), the federal government may add even more requirements for local government financial reporting, creating yet another layer

of unfunded mandates and confusion. The law requires federal departments and regulators to develop machine readable data standards for state and local annual comprehensive financial reports and other disclosures for issuers of municipal debt. Unless those standards are informed by a thorough understanding of local government financial reports and the processes used in creating them, we're probably facing even more misunderstandings and unnecessary expenses.

GFOA has a variety of strategies for helping our members navigate these challenging times. Our Federal Liaison Center will make sure that GFOA members receive updates on the status of FDTA implementation and what it means for your government. GFOA will create a dedicated resource page at gfoa.org/fdta to provide information, tools, and recommendations. We will also continue to provide ongoing education in the form of webinars, conference sessions, and other presentations to communicate best practices in financial reporting. For example, GFOA recently released a short video series with timely accounting



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discussions (TAD), which you can find online at gfoa.org/justatad. And our research will continue to pose difficult questions and uncover new information about what the public wants, document how to best communicate it, and tell the story of leading governments with lessons learned to share. (To get involved in our research, please visit gfoa.org/rethinking-financial-reporting.)

We will continue to support GFOA members through advocacy on your behalf both in Washington, D.C., and with GASB. Our purpose is to represent government finance professionals,

communicate your feedback and positions, and push back against unreasonable standards.

Our commitment to GAAP remains as strong as ever, and we believe that the consistency and comparability GAAP reporting offers is the best way for governments to meet their obligations to be transparent and accountable. But we also realize that GAAP aren't perfect and, in their current form, may have even taken a few steps backward. So, we will continue to provide resources, advocacy, and research, and we look forward to a future with more timely, less burdensome financial reporting that meets the needs of an engaged public.

We also invite your assistance and welcome your engagement as we work to advance excellence in public finance. To participate in sharing ideas, case studies, or your experience, or to help get the message to policymakers, please join the discussion in GFOA's online communities or visit gfoa.org/volunteer for a current list of opportunities.

Sincerely,

Chris

Resources At-a-Glance

Find up-to-date information on the Financial Data Transparency Act of 2022 and what it means for your government.

gfoa.org/fdta

Our Just a T.A.D. video series offers timely accounting discussions in ten minutes or less on specific topics.

gfoa.org/justatad

Get involved with our research on how local governments can best communicate financial information to the public.

gfoa.org/rethinking-financial-reporting

Share your ideas and join us in our work to advance excellence in public finance.

gfoa.org/volunteer