Comprehensive Annual Financial Report Briefing

Each year the Los Angeles County Office of Education issues a Comprehensive Annual Financial Report (CAFR). The most recent report as the 2012 that was created by Alexander Cherniss, Ed.D., Chief Business Officer, fiscal year ending June 30, 2012. Presently no boundary changes during the fiscal year. The purpose of this paper is to provide an overview of government accounting and reporting.

Governmental Accounting and Reporting

Budgeting and accounting are predominantly vital for a government body. Any person with the competence to make decisions relating to the prevailing body should possess the essential understanding of budgeting and accounting. “The Governmental Accounting Standards Board (GASB) sets the accounting and financial reporting standards for state and local governments, whereas the Financial Accounting Standards Board (FASB) sets these standards in for-profit business” (Granof &Wardlow, 2011).

Governmental purpose and missions differ from those of a for-profit business. For-profit business is vastly measured by increasing profits and shareholder worth. Economic metrics are based exclusively on revenue and net income margins, where there may not be as measurable for governmental financial reporting. Government financial report cannot be always measured in monetary trends but more on a service oriented and focus cannot always be measured in dollars and cents and tends to be based more so on service efforts and activities. Additionally, “the actual budget holds more significance in government than in regular business. The budget is technically what governs the government, whereas in business, the marketplace and competition is the driving force” (Granof &Wardlow, 2011).

Los Angeles County Office of Education Comprehensive Annual Financial Report CAFR

The Los Angeles County Office of Education issues the e CAFR is precise in financial substance and presents fairly the financial activities of the Office of Education’s various funds and account groups. The reports intention is to offer a clear depiction of the Los Angeles County Office of Education as a unified, single entity, and to provide fund-based financial statements.

. “The CAFR is divided into three main areas:

• The Introductory Section contains this Letter of Transmittal and the Administrative Organization chart for the Office of Education.

• The financial area includes the Financial Statements Section, Required Supplementary Information Section, State-Required Supplementary Information Section, Federal Award Programs Section, and Findings, Recommendations and Management Letter Section.

• The Statistical Section provides historical data and additional background information of the Office of Education” (Cherniss, Ed.D., 2012).

“The Office of Education, as part of its management control system, adopts an annual operating budget approved by the California Department of Education. The budget is developed both by major cost category and individual object code” (Cherniss, Ed.D., 2012).

Management Discussion & Analysis Evaluation

The objective of the argument and investigation is to look at the financial section of the Office of Education as complete. The dialogue and examination of financial statements should be interpreted in concurrence with the financial statements and notes following this section. “Those statements have been prepared in accordance with the requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis –for state and Local Governments, and related pronouncements. The financial statements provide reporting that similar to private sector companies by showing agency wide financial statements with a Net Assets bottom-line approach. However, government agencies are mandated to account for certain resources and activities separately, thereby necessitating a financial format by fund as shown in the Financial Statements Section of this report” (Cherniss, Ed.D., 2012).

The assets of the Office of Education exceed its liabilities at the close of fiscal year ended June 30, 2012 by $159.1 million. Of this amount, $2.6 million (unrestricted net assets) may be used to meet the Office of Education’s on-going obligations. The decrease in total net assets of $32.9 million during the fiscal year ended June 30, 2012 resulted mainly from recording Supplementary Retirement Plan in its entirety, which amounts to $27.1 million. “Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board’s ability to use those net assets for day-to-day operations” (Cherniss, Ed.D, 2012).

The following are other types of report highlights for the fiscal year ended June 30, 2012:

• The Office of Education’s total net assets, after restatements, decreased by $32.9 million during the fiscal year ended June 30, 2012.

• Fiscal year end, the Office of Education’s governmental funds reported a collective ending balance of $133.2 million, a decline of $30.5 million in assessment with the prior year balance. The Internal Service Fund-Self Insurance is reported in a separate Proprietary Fund using the accrual basis of accounting.

• Fiscal year end, the unassigned account balance for the General Fund was $56.8 million that represents a boost of $0.4 million in contrast with the previous year.

The restricted portion of net assets represents assets that are legally or contractually obligated, or belong to restricted programs. For the Office of Education, this can comprised of $37.1 million unspent facilities construction funds received from the State of California under the State School Facilities program and $25.1 million is restricted for Educational Programs. The unrestricted portion of the Office of Education’s net assets can be used to convene continuing obligations to creditors and customers.

On November 6, 2012, California voters passed Proposition 30, a ballot measure that will temporarily increase sales tax rate by one-quarter cent for every dollar of goods purchased for four years, beginning in fiscal year 2012-13, and increase the marginal income tax rates by an additional 1to 3 percent on the state’s higher income tax filers for seven years, commencing in fiscal year 2012-13.

References

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