

## Questions/Answers December 2017 Commonwealth Investor Call

1. Q: Why are the Statutory Basis Financial Reports (SBFR) reviewed and not audited while the Comprehensive Annual Financial Reports (CAFR) are audited? As the CAFR is based on the same numbers as the SBFR it is surprising that they are not both audited. Is it a question of tradition or timing?

A: Prior to 2009, the SBFRs were audited. After that date, a change in statute required the SBFRs to be reviewed and not audited. The CAFR is based on SBFR numbers that is then converted to a full GAAP basis. It is highly unlikely the audit of the CAFR would result in a change in SBFR numbers.

2. Q: At the end of the auditor's review of the SBFR, there is a statement that the report is "intended solely for the information and use of management and elected and appointed officials of the Commonwealth of Massachusetts." The caller states he was unable to find statutory disclosure for other states and therefore was unable to determine if this was standard language that the auditors include in their review of SBFRs.

A: Our auditors (KPMG) add this statement because the SBFR is not audited nor is it a GAAP report and therefore hard to use as a basis of comparison to other states. The purpose of GAAP is to have a standard set of accounting rules to allow for comparisons. Some states do issue SBFRs, also called budgetary basis reports, however, as previously noted, there has never been a material change to the SBFR resulting from an audit of the CAFR. The numbers in the SBFR are included in our information statements and we attest to the validity of the report.