

### Memorandum

To: KSCPA Members  
From: Kent E. Olson, Director of Accounts and Reports  
Date: April 27, 2010  
Re: KMAG Financial Statement Presentation

In recent weeks it was brought to my attention by a member of the Kansas audit community that a Kansas vendor has produced and marketed to several Kansas municipalities a financial statement software package that, among other functionality, produces annual financial statements that differ from the cash basis financial statements mandated in KMAG.

The issue presented to me was whether I, as Director of Accounts and Reports, would accept audit reports containing the variant financial statements produced by this, or any other vendor.

In response to the inquiry I requested from our department legal counsel an opinion as to whether I have the statutory authority to mandate that a particular financial statement presentation be utilized. Having received the opinion of counsel that the Director of Accounts and Reports does have the statutory authority to direct, for purposes of uniformity and consistency, that a standardized financial statement presentation be utilized, the next question for me was whether I believe that our municipal audit reports should remain consistent through use of the KMAG statutory basis financial statement presentation.

In response to the second question, it is my opinion that we remain consistent in our statutory basis financial statement presentation format. The uniformity of presentation in our collective audit reports is one of the hallmark achievements of the KMAG, and I believe it is important that this consistency be maintained.

How do we move forward, knowing that one or more audit reports containing non-KMAG financial statement presentation will be completed and submitted to me in the next several weeks? Do I reject these audit reports?

The answer to the question of acceptance or rejection of the audit reports containing non-KMAG financial statement presentation is that, without question, these reports will be accepted.

Longer term, though, it is my intent to request that the KMAG board of editors work with the vendor in question and with interested representatives of the KSCPA to comprehensively review our financial statement format to determine whether our presentation can be improved for the benefit of all interested parties. I will strongly consider the recommendation of this working group and will arrive at an ultimate decision on format prior to publication of the 2011 edition of the KMAG, so that we may, once again, expect consistent presentation of municipality financial statements.

Thank you.