

Save the Date

September 9
Deadline for GFOA Standing Committee

September 14
GFOA GAAFR Internet Training

September 20-23
League Annual Conference

November
GFOAz Budget Seminar

November
GFOAz Membership Renewal Time!

December 16
Deadline for GFOA Award for Excellence in Government Finance

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2005 New Finance Laws

The League of Cities and Towns recently issued the "New Laws Report", which identifies the new laws that will have an impact to cities and towns. The report is designed to assist municipal officials and staff by providing a brief summary of each law and other specific information to each bill. The report includes new financial laws regarding the following areas.

- Development Fees; Cities and Towns
- Municipal Sales Tax Incentives; Restrictions
- Municipal Business Incentives; Referendum
- Taxation; Corporations; Property; Budget
- Transportation Excise Tax; Bonds
- Municipal Sales Tax; Refunds
- Municipal Tax Code Commission; Continuation
- Income Tax: Corporate Sales Factor
- Community Facilities Districts; Assessment; Collection
- General Revenues; Budget
- State Automation; Telecommunications; Budget
- Special Districts; Assessments; Reallocation
- Highway Expansion And Extension Loans
- Use Tax Percentage Based Reporting
- Transient Lodging Sales Tax; Application
- Surcharges; Rental Equipment
- Taxation; Managed Audit Agreements
- Military Reuse Zone Incentives; Extension

Please visit the League's website at www.azleague.org to access the full report.

2005 GFOAz Summer Training a Success!

The 2005 GFOAz Summer Training was held August 11-12 at Loews Ventana Canyon Resort in Tucson. There was an exciting golf tournament on Thursday, August 11th and a reception that evening. Special thanks to the Education Committee who put together a fantastic program including topics on alternative procurement methods, investment programs, economic real estate update, budgets, CFD's, leadership, water issues, identity theft, and many other topics.

At the end of September, the PowerPoints and handouts from the training will be available in the resource room page on the GFOAz website.

The next GFOAz training event will be a one day budget training session in November. Registration and program materials will be mailed the end of September and available for viewing on the GFOAz website.

We recently signed the contract with the Hilton Sedona Resort and Spa for the 2006 GFOAz Annual Conference. The conference will be March 7-9, 2006. If you have suggestions for specific topics or sessions please contact the Education Committee Chair, Debbie Card at debbiec@peoriaaz.com.

HURF Audit Requirement

Just a reminder that your audits are now required to have a "determination" of HURF monies. The audit report must include a "determination" that HURF monies and other dedicated state transportation revenues received by the city/town were used solely for the authorized purposes. The Auditor General's office requires that the auditor specifically report this determination in the auditor's opinion on the financial statements or a separate report of the auditor within the city/town's audit report. All cities and towns will need to ensure the required determination is included in their fiscal 2005 audit report.

HELP WANTED!

If you are looking for a job or looking for someone to fill a position, you need to be using the association's employment web page. It is a valuable and free resource that is available to all cities and towns who have a member in GFOAz. Visit www.gfoaz.org and click on the employment link. From there you can view, submit and remove a listing. We have up to date postings of job opportunities all over the state.



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Town of Chino Valley*

Debbie Card
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*Treasury Manager
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GFOAz News is published by the Government Finance Officers Association of Arizona. Forward your comments or suggestions to the League of Arizona Cities and Towns, Attn: Brent Stoddard, 1820 W. Washington Street, Phoenix, Arizona 85007, Phone: 602-258-5786, Fax: 602-253-3874, email: bstoddard@mg.state.az.us

Awards for Excellence in Government Finance

The deadline for 2006 Awards for Excellence in Government Finance applications is December 16, 2005. The GFOA's Awards for Excellence in Government Finance recognize contributions to the practice of government finance that exemplify outstanding financial management. The awards stress practical, documented work that offers leadership to the profession and promotes improved public finance. Entries may be submitted for consideration in any of the following nine categories:

- accounting, auditing, and financial reporting;
- budgeting and financial planning;
- cash management and investing;
- capital finance and debt administration;
- pensions and benefits;
- management and service delivery;
- economic development;
- enterprise financial systems;
- technology.

Eight criteria are examined when considering an application for the award: local significance and value, technical significance, transferability, documentation, the cost/benefit analysis, efficiency, originality, and durability. Membership in the GFOA is not required to apply for an award; however, nonmembers and students must be sponsored by an active GFOA member. To request information about the Awards for Excellence program, send an e-mail to AwardsforExcellence@gfoa.org.


Lasting Email Impressions

Here are some tips to make sure the e-mails you send work for-not against-you.

- **Don't write in capital letters.** It is the equivalent of electronic shouting. On the other hand, don't use all lowercase: it makes the writer seem indifferent or unable to communicate properly.
- **Use plain-text messages.** Your email program may be able to handle all the fancy graphics and fonts from web pages, but many cannot. Large graphics also distract from the main purpose of your e-mail.
- **Use correct grammar and spelling.** E-mail programs have a spell check feature. Pay attention to punctuation as well.
- **Take your finger off that send button.** When you're tired or angry, don't send that e-mail. Write it, save it as a draft, and read it again the next day. Maybe it is exactly what you want to say, or maybe you come on a little too strong; certain words can get you into hot water.
- **Beware of the Reply or Reply All button.** Make sure your not sending your message to everyone on a distribution list!

- **Never substitute electronic mail for a face-to-face meeting.** It is never appropriate to reprimand, reward, or fire someone via e-mail. Professionalism applies here.
- **Do not forward chain e-mails.** The headers and footers are always 10 times longer than the actual message, and people get tons of them every day. If a joke is too good to pass up, cut and paste it into a new message and then send.
- **When you reply, include some of the original in the body of your message.** Computer users look at dozens of e-mails a day, and they may need a point of reference for your response. You don't have to include the entire message, just enough to jog their memory.
- **Turn on your Auto-Reply/Out of Office Assistant.** If you are planning on being out of the office for an extended period of time, your contacts will appreciate knowing when you expect to return, and if there is someone else they can contact in your absence.
- **Email is a public record.** Remember if you don't want to see it in the paper, reserve really sensitive things for phone calls or in person.

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Pricing Securities at Fair Value

John Ariola, CPA

Since the release of GASB 31, governmental entities - including governmental external investment pools - have been encouraged to report their investments at fair value in the balance sheet (or other statement of financial position). The impetus for fair value pricing has been the growing consensus that fair value offers a better gauge of an entity's investments than cost. Fair value is generally defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Incorporating fair value into the reporting model provides users with better information to help measure a government's accountability as well as the level of future serv-

ices it potentially can provide to its constituents. But is fair value pricing an art or a science? Where do the valuations come from? Who is responsible for providing them? This article will address those questions.

Vested Interests and Incentives

Fair value pricing has been a popular subject in the fixed income arena for many years. A quick look at the various stakeholders and underlying business incentives tied to its existence should give an idea of the wide-ranging implications that it can have:

- Public sector investors (as well as their constituents) rely on it to properly report the resources available for services and help determine an entity's ability to meet certain obligations.

- Investment advisors and their portfolio managers use fair value pricing in reporting total managed assets and in calculating advisory fee compensation.

- Independent auditors are tuned into pricing when assessing the accuracy and reliability of the government-wide financial statements.
- Bankers and custodians use fair value to determine custody fees and make adjustments to certain debt agreements.

- Third-party pricing vendors - An obvious stakeholder are the independent third-party pricing vendors like FT Interactive and J.J. Kenny who make their living on disseminating these important valuations to the thousands of investment houses throughout the world.

Impact and Effect

Generally, fair value pricing is determined by the most recent market trade for any particular security. Given the lack of significant trading in taxable fixed income securities, however, almost anyone can see why these valuation estimates can be so crucial. To begin with, fair value pricing helps determine whether an investor receives a right price for a security - or portfolio of securities - being purchased. Without an appropriate valuation, market participants will be unable to measure their own exposure properly and may make decisions that can later be detrimental. Accurate pricing can help poten-

tial investors assess a risk level or volatility gauge of an investment and provide a clearer indication of the asset's ability to pay off as expected. Otherwise, the transfer of risk could be harder to measure - leading to possible overstatement of capital positions and a longer delay in implementing any corrective action.

In addition, fair value will have a significant impact on performance measurement when reporting total return and consequently, a manager's future compensation levels in the form of bonuses or other incentives. Adjustments in market valuation estimates can affect collateral levels in most repurchase agreements as well as required reporting to outside regulators.

Who is responsible for pricing?

The increase in electronic trading and order routing systems has already rapidly improved price transparency in the fixed income market. These systems have allowed pricing data to be disseminated more widely to users, third party vendors, and the general marketplace as a whole. Some firms employ valuation committees and charge them with setting proper controls to promote accuracy in valuation. These committees are granted oversight responsibility of the entire pricing process and will implement certain checks and balances to ensure that instruments are marked correctly.

Other entities will rely on independent pricing services to deliver the information in a timely and efficient manner. Pricing services generally have a more formalized structure within the process as they are accountable to a wider range of clients. They have a stronger ability to monitor outside events and have formal relationships with auditors and regulators around the world. In general, despite the complexity and judgment that goes into pricing of securities, there is a great degree of convergence between different pricing services, an indicator of data reliability.

In conclusion, it should be evident that pricing is certainly more of an art than a science and that it can have a significant impact on the marketplace and on all participants within that marketplace, including the management, measurement and transfer of risk. There are several stakeholders tied to its existence, thus driving the need for a solid framework for valuation procedures.

John Ariola, CPA, is Vice President, Accounting and Reporting for MBIA Asset Management Group.




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MEMBER PROFILE

Sherwin Pestka

Accountant, Arizona State Treasurer's Office



Where are you originally from?

I was born in Cebu City, Philippines and moved to Phoenix, Arizona in 1982.

Where is your favorite vacation location?

My family's favorite vacation location is San Diego, California. Each summer, we stay one week at a beach house south of Belmont Park. We go swimming, body boarding (my daughter enjoys this), bike riding, shopping (my wife loves this), relaxing, and spending time at Seaworld.

What areas of government finance interest you the most?

The interaction with our clients which includes state agencies, boards and commissions, cities and towns, counties, and other local governments. I enjoy working with people and the satisfaction for making a difference in our government.

What other entities have you worked for?

My work experience includes 8 years at Bank One Investment Management Group as a financial analyst, 6 months as an auditor for the Auditor General's office of the State of Nebraska, 5 years as an accounting manager in the General Accounting Office of the State of Arizona, and the last two years as an investment accounting supervisor for the State Treasurer's Office.

What cd's are currently in your stereo?

Tim McGraw's Greatest Hits, Yanni's Live at the Acropolis, Norah Jones' Come Away with Me, a Kid Rock CD, and a CD containing my wife and daughter's favorite songs.

What is the best piece of advice you have ever been given?

"Treat others as you would like to be treated".

GFOAz Bylaws Update

The recent GFOAz Bylaw amendment was approved by a majority of voting members in the Association. Thanks to all who casted a ballot. The new bylaw restricts membership on the Education Committee to only Active members (category of membership), of the Association and requires only the Chair of the Committee to be appointed by the Executive Board.

New Members

We have had several new members join GFOAz since May. We look forward to seeing many of you at upcoming trainings and conferences.

Active

Andrew Bertelsen, Planning/Budget Manager - Coconino County

Lawrence Carson, Director of Finance/CFO - Haudasupai Tribe

Darol Criddlebaugh, City Manager - City of Willcox

Karen Daines, Fire Admin. Services Manager - City of Peoria

Wendy Gilden, Management & Budget Analyst - Town of Oro Valley

Ruth Graham, Director of Finance - City of Willcox

Jerry Hart, Financial Services Manager - City of Tempe

Kathy Henry, Accountant - Lake Havasu City

Ellen Hitchings, Finance Manager - City of Tucson

John Jensen, Procurement Director - Pascua Yaqui Tribe

Jean Knight, Management Assistant - Town of Chino Valley

Robert Mawson, Town Manager - Town of Miami

Siri Mullaney, Budget Analyst - Coconino County

Silvia Navarro, Principal Accountant - City of Tucson

Thyna Parker, Finance Clerk - Town of Camp Verde

Linda Peterson, Accounting Clerk - Town of Clarkdale

Kimberley Sandstrom, CFO, Accountant - Town of Buckeye

Mary Terracina, Budget Analyst - City of Show Low

Ann Waite, Financial Services Assistant Director - City of Safford

Gayle Whittle, Finance Director - Lake Havasu City

Bernie Wiegandt, Assistant Finance Director - City of Nogales

Carlton Woodruff, Finance Director - Town of Clarkdale

Commercial

Michael Ferrara, Vice President - JP Morgan Trust Company

Mary Piontek, Director - Edward Jones

The Laugh Box

Two accountants are in a bank, when armed robbers burst in. While several of the robbers take the money from the tellers, others line the customers, including the accountants, up against a wall, and proceed to take their wallets, watches, etc. While this is going on accountant number one jams something into accountant number two's hand. Without looking down, accountant number two whispers, "What is this?" to which accountant number one replies, "it's that \$50 I owe you."

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