

STATE OF CONNECTICUT

BY HIS EXCELLENCY

DANNEL P. MALLOY

EXECUTIVE ORDER NO. 1

**WHEREAS**, the Government Accounting Standards Board establishes generally accepted accounting principles (GAAP) for use in accounting and financial reporting by state and local governments;

**WHEREAS**, financial reports of the state are used by bond rating agencies, bond holders, legislators, the media, citizens of this state and others in evaluating government accountability and stewardship over public funds;

**WHEREAS**, all municipalities, regional and local school districts and audited agencies, as defined in Sec. 7-391 of the Connecticut General Statutes, in the state have been statutorily required since 1989 to have their financial statements audited by an independent auditor and, pursuant to Sec. 7-394a of the Connecticut General Statutes, the audit reports prepared by such independent auditors must be prepared in accordance with GAAP;

**WHEREAS**, the biennial budget document presented by the Governor to the General Assembly and the biennial budget passed by the General Assembly are prepared using a modified cash basis which includes state expenditures, receipts, and capital budget activities but does not comport with GAAP because, among other things, it does not provide analysis of the state's overall fiscal position;

**WHEREAS**, the Comptroller prepares both an annual fiscal report using a modified cash basis of accounting and a Comprehensive Annual Fiscal Report (CAFR) using GAAP;

**WHEREAS**, the annual fiscal reports prepared using the modified cash basis present the inflows and outflows of spendable resources, while annual fiscal reports that utilize GAAP present a more comprehensive picture of the state's economic condition including its financial position, fiscal capacity and service capacity; and

**WHEREAS**, the use of GAAP in state accounting and financial reporting improves the State's accountability to entities and individuals, including the citizens of the State of Connecticut, who evaluate the use of public funds by bringing greater clarity and consistency to the budgeting process and presenting a more complete assessment of the State's economic condition.

**NOW, THEREFORE, I, DANIEL P. MALLOY, Governor of the State of Connecticut,** by virtue of the power and authority vested in me by the Constitution and by the Statutes of the State of Connecticut do hereby **ORDER AND DIRECT:**

1. To increase transparency and accountability regarding the fiscal health of the state, the Secretary of the Office of Policy and Management (“Secretary”) shall initiate a process intended to result in the implementation of GAAP, as prescribed by the Governmental Accounting Standards Board, with respect to the preparation of the Governor’s biennial budget documents and midterm budget adjustments.
  
2. To move the state toward a more financially responsible budgeting process, the Secretary shall prepare biennial budget documents for the fiscal years ending June 30, 2012 and June 30, 2013 that begin to implement GAAP by maintaining balanced operations and make any other provisions, as appropriate, for the implementation of such plan as is presented to the General Assembly pursuant to the requirements in paragraph 3. The Secretary will coordinate measures taken towards the implementation of GAAP with the offices of the Comptroller, Treasurer and the Auditor of Public Accounts.
  
3. To move the state toward greater budgetary transparency and a healthier economic condition, within sixty days of the Governor’s transmittal to the general assembly of the biennial budget document for fiscal years ending June 30, 2012 and June 30, 2013, as required by Sec. 4-71 of the Connecticut General Statutes, the Secretary shall present to the joint standing committees of the General Assembly having cognizance of matters related to appropriations and finance, revenue and bonding a written plan to bring the state into compliance with GAAP and the Secretary or his designee shall make himself available to appear before said committees to answer questions related to such plan at the invitation of said committees.
  
4. Beginning sixty days after the Governor’s transmittal to the General Assembly of the midterm budget adjustments for the biennium beginning July 1, 2011 and ending June 30, 2013, the Secretary shall annually submit to the joint standing committees of the General Assembly having cognizance of matters related to appropriations and revenue, finance and bonding a status report on the adoption and implementation of the plan presented to such committees pursuant to paragraph 3 and the Secretary or his designee shall make himself available to appear before said committees to answer questions related to such plan at the invitation of said committees.

This Order shall take effect immediately.

Dated at Hartford, Connecticut this 5th day of January 2011.

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DANIEL P. MALLOY  
Governor

By Her Excellency's Order

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Denise Merrill  
Secretary of the State