

# CHAPTER 11

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

The Comprehensive Annual Financial Report (CAFR) of a governmental unit should contain the statements indicated below, including notes thereto, and appropriate schedules, narrative explanations, and statistical tables. It should be prepared and published promptly after the close of the fiscal year and should contain the report of the independent auditor, if an audit has been performed, together with a letter(s) of transmittal and such other information as management deems appropriate. Where no audit was performed by an independent auditor, the statements should be clearly marked as unaudited.

### CAFR Outline

The general outline and minimum content of the CAFR of a governmental unit are as follows:

#### Introductory Section

Table of contents, letter(s) of transmittal, and other material deemed appropriate by management

#### Financial Section

Independent Auditor's Report

General Purpose Financial Statements (Combined Statements - Overview)

1. Combined balance sheet - All fund types and account groups
2. Combined statement of revenues, expenditures, and changes in fund balances - All government fund types
3. Combined statement of revenues, expenditures, and changes in fund balances - Budget and actual - General and special revenue fund types (and similar governmental fund types for which annual budgets have been legally adopted)
4. Combined statement of revenues, expenses, and changes in retained earnings (or equity) - All proprietary fund types
5. Combined statement of changes in financial position All proprietary fund types
6. Notes to the financial statements (trust fund operations will be reported in 2, 4, and 5 above)
7. Combining statements, by fund type - Where a governmental unit has more than one fund of a given fund type
8. Individual fund and account group statements - Where a governmental unit has only one fund of a given type and for account groups and/or where necessary to present prior year and budgetary comparisons

## 9. Schedules

- Schedules necessary to demonstrate compliance with finance-related legal and contractual provisions
- Schedules to present information spread throughout the statements that can be brought together and shown in greater detail (such as taxes receivable, including delinquent taxes; long-term debt; investments; and cash receipts, disbursements, and balances)
- Schedules to present greater detail for information reported in the statements (such as additional revenue sources detail and object of expenditure data by departments)

(Narrative explanations useful in understanding combining and individual fund and account group statements and schedules that are not included in the notes to the financial statements should be presented on divider pages, directly on the statements and schedules, or in a separate section.)

### Statistical Tables

## Understanding the CAFR

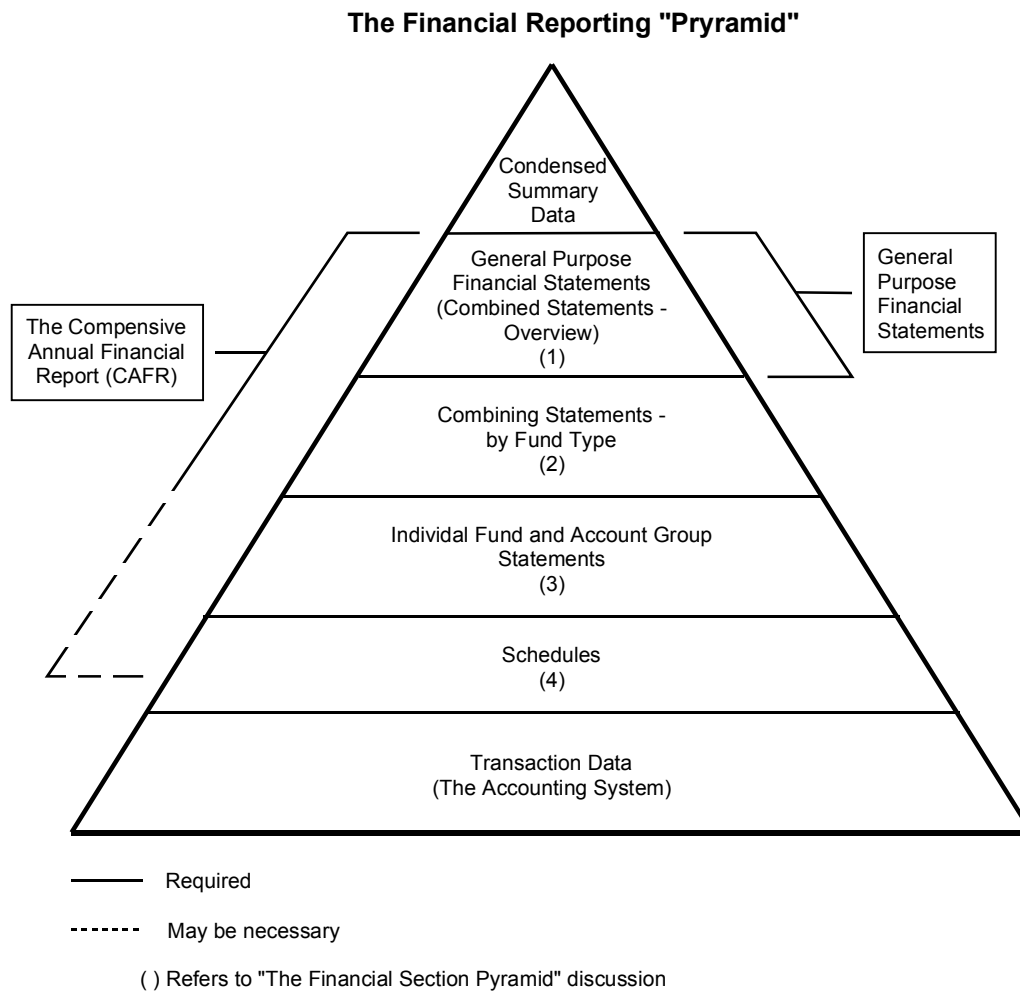
The financial section of the CAFR may be viewed as a "reporting pyramid." (See illustration on the next page.) The governmental unit need go only as far down the reporting pyramid (in terms of increasing levels of detail) as necessary to report the financial position and operating results of its individual funds and account (groups, to demonstrate compliance with finance-related legal and contractual requirements, and to ensure adequate disclosure at the individual fund entity level. Those statements and schedules necessary for these purposes are required; others are optional.

### ***Pyramid Structure***

The levels of the pyramid are:

1. **General Purpose Financial Statements (Combined Statements Overview).**  
These basic financial statements provide a summary overview of the financial position of all funds and account groups and of the operating results of all funds. They also serve as an introduction to the more detailed statements and schedules that follow. Separate columns should be used for each fund type and account group.

Illustration 1



2. **Combining Statements - By Fund Type.**

Where a governmental unit has more than one fund of a given type (e.g., Special Revenue Funds), combining statements for all funds of that type should be presented in a columnar format. The total columns of these combining statements should agree with the amounts presented in the GPFS. (In some instances, disclosure sufficient to meet CAFR reporting objectives may be achieved at this level; in other cases, these statements "link" the GPFS and the individual fund statements.)

3. **Individual Fund and Account Group Statements.**

These statements present information on the individual funds and account groups where (a) a governmental unit has only one fund of a specific type, or (b) detail to ensure disclosure sufficient to meet CAFR reporting objectives is not presented in the combining statements. These statements may also be used to present budgetary data and prior year comparative data.

4. **Schedules**

Data presented in schedules is not necessary for fair presentation in conformity with GAAP unless referenced in the notes to the financial statements. Schedules are used: (a) to demonstrate finance-related legal and contractual compliance (such as where bond indentures require specific data to be presented); (b) to present other information deemed useful (such as combined and combining schedules that encompass more than one fund or account group, such as a Combined Schedule of Cash Receipts, Disbursements, and Balances - All Funds); and (c) to provide details of data summarized in the financial statements (e.g., schedules of revenues, expenditures, transfers).

All four pyramid levels of detail may be required in some circumstances. On the other hand, adequate disclosure may require only one or two levels. Determination of the appropriate level of detail (and the distinction as to what is presented in a statement as opposed to a schedule) is a matter of professional judgment.

## ***Financial Statements and Schedules***

The balance sheets, operating statements, and schedules required in the CAFR for a governmental unit (with references to the exhibits in this chapter) are:

1. Balance sheets

- a. A combined balance sheet - All fund types and account groups (Exhibit 1) .
- b. Combining balance sheets for all funds of each type (Exhibit 6).
- c. Individual balance sheets for each fund and account group (where necessary to present the financial position of each fund and account group) and schedules necessary to demonstrate compliance with finance-related legal and contractual provisions.

2. Operating Statements

a. Governmental funds

- (1) A combined statement of revenues, expenditures, and changes in fund balances - all governmental fund types (Exhibit 2).

- (2) A combined statement of revenues, expenditures, and changes in fund balances (budget and actual) general and special revenue fund types (and similar governmental fund types for which annual budgets have been legally adopted) (Exhibit 3).
- (3) Combining statements of governmental fund revenues, expenditures, and changes in fund balances by fund type (Exhibit 7).
- (4) Individual statements of revenues, expenditures, and changes in fund balance for each fund (where necessary to present fund operating results) and schedules necessary to demonstrate compliance with finance-related legal and contractual provisions.

b. Proprietary funds

- (1) A combined statement of revenues, expenses, and changes in retained earnings (or equity) - all proprietary fund types (Exhibit 4).
- (2) A combined statement of changes in financial position - all proprietary fund types (Exhibit 5).
- (3) Combining statements of proprietary fund revenues, expenses, and changes in retained earnings (or equity) by fund type.
- (4) Combining statements of proprietary fund changes in financial position by fund type.
- (5) Individual statements of revenues, expenses, and changes in retained earnings (or equity) and of changes in financial position for each proprietary fund (where necessary to present fund operating results and changes in financial position) and schedules necessary to demonstrate compliance with finance-related legal and contractual provisions.

c. Fiduciary funds

- (1) Expendable trust funds are similar to governmental funds (modified accrual basis) and should be reported as indicated at 2(a) above; nonexpendable trust and pension trust funds are similar to proprietary funds (accrual basis) and should be reported as indicated at 2(b) above.
- (2) At the GPFS (Combined Statements - Overview) level, trust fund operating statements may be presented (a) separately, or (b) within the combined operating statements of the governmental funds and the proprietary funds, as appropriate.
- (3) A combining statement of changes in assets and liabilities - all agency funds.

d. Account groups

- (1) Statement of changes in general long-term debt (unless sufficiently disclosed in the notes to the financial statements).

Financial statements should present data summarized approximately to their pyramid level. A financial statement normally should not exceed two pages. The financial statements must be accompanied by the notes to the financial statements, including the Summary of Significant Accounting Policies, schedules, and narrative explanations of combining and individual fund and account group statements and schedules. Prior year and budgetary comparison data for individual funds and account groups usually are more readily presented in individual fund or account group statements or schedules rather than in the combined or combining statements.

### ***Statistical Tables***

Statistical tables differ from financial statements because they usually cover more than two fiscal years and may present non-accounting data. Statistical tables reflect social and economic data, financial trends, and the fiscal capacity of the government.

The following statistical tables should be included in the CAFR unless clearly inapplicable in the circumstances:

- (1) General governmental expenditures by function - last ten fiscal years.
- (2) General revenues by source - last ten fiscal years.
- (3) Property tax levies and collections - last ten fiscal years.
- (4) Assessed and estimated actual value of taxable property - last ten fiscal years.
- (5) Property tax rates - all overlapping governments -last ten fiscal years.
- (6) Special assessment collections - last ten fiscal years.
- (7) Ratio of net general bonded debt to assessed value and net bonded debt per capita - last ten fiscal years.
- (8) Computation of legal debt margin (if not presented in the GPFS).
- (9) Computation of overlapping debt (if not presented in the GPFS).
- (10) Ratio of annual debt service for general bonded debt to total general expenditures - last ten fiscal years.
- (11) Revenue bond coverage - last ten fiscal years.
- (12) Demographic statistics.
- (13) Property value, construction, and bank deposits -last ten fiscal years.
- (14) Principal taxpayers.
- (15) Miscellaneous statistics.

Some of the statistical tables may be clearly inapplicable under certain circumstances. For example, a governmental unit with no bonded debt obviously would not need to present the statistical tables related to bonded debt. Similarly, a unit which does not levy special assessments would not present the table specified for special assessments.

## Understanding the General Purpose Financial Statements

In addition to the Comprehensive Annual Financial Report (CAFR), governmental units may issue the financial statements by fund type and account group in the Combined Statements - Overview section of the CAFR as General Purpose Financial Statements (GPFS). The GPFS are designed to be "liftable" for this purpose. Such statements may be issued for inclusion in official statements for securities offerings and for widespread distribution to users requiring less detailed information about the governmental unit's finance than is contained in the CAFR.

Although the fund type and account group financial information included in the liftable GPFS (Combined Financial Statements -Overview) section of the CAFR constitutes "fair presentation in conformity with generally accepted accounting principles," segment financial information for major non-homogeneous enterprise funds (e.g., a water utility and a parking structure) should be reported in the GPFS. The decision about whether segment information would be informative is a matter of judgment applied to the particular situation. But segment information is essential for enterprise funds with bonds or other debt securities outstanding. The segment presentations for major non-homogeneous enterprise funds may be accomplished (1) in the Combined Statement of Revenues, Expenses, and Changes in Retained Earnings (or Equity) - All Proprietary Fund Types and the Combined Statement of Changes in Financial Position -All Proprietary Fund Types or (2) in similar combining statements.-

A transmittal letter(s) from the governmental unit accompanying the separately issued GPFS should inform users of the availability of the CAFR for those requiring more detailed information. The report of the independent auditor, if an audit has been performed, should precede the basic financial statements.

The following "basic" financial statements referenced to the exhibits that follow which constitute the GPFS (Combined Statements overview described above) are necessary for separately issued GPFS to be presented fairly in conformity with generally accepted accounting principles:

- (1) Combined balance sheet - all fund types and account groups (Exhibit 1) .
- (2) Combined statement of revenues, expenditures, and changes in fund balances - all governmental fund types (Exhibit 2).
- (3) Combined statements of revenues, expenditures, and changes in fund balances - budget and actual -general and special revenue fund types (and similar governmental fund types for which annual budgets have been legally adopted) (Exhibit 3).
- (4) Combined statement of revenues, expenses, and changes in retained earnings (or equity) - all proprietary fund types (Exhibit 4).
- (5) Combined statement of changes in financial position - all proprietary fund types (Exhibit 5).
- (6) Notes to the financial statements. (Trust fund operations may be reported in (2), (4), and (5) above, as appropriate, or separately.)

The accompanying financial statements have been prepared in more detail than would be customarily done in order to illustrate the location and form of the more common line items. As will be noted, some line descriptions have been included although there are no amounts to relate to them in the exhibit. in practice, the line items that will appear in a given municipality's financial statement will depend on the facts of the situation, taking into consideration the materiality of the amounts involved.