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# City of Lancaster

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## How to Read a Financial Statement

# Annual Financial Report

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- Table of Contents
- Introductory Section
- Financial Section
- Statistical Section

# Table on Contents

- Quickly find:
  - Auditors report
  - Managements Discussion and Analysis
  - Basic Financial Statements
  - Fund Financial Statements
    - Governmental
    - Proprietary
  - Notes to financial statements
  - Required supplementary information
  - Individual and non-major fund statements
  - Discretely Presented Component Units

# Annual Financial Report

- Table of Contents
- **Introductory Section**
  - Financial Section
  - Statistical Section

# Introductory Section

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- Auditors Report
- Managements Discussion and Analysis
- Transmittal Letter
- Charts and Tables
- GFOA CAFR Award

# Introductory Section

Auditors Report

# Auditors Report

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- Audit required by our Charter.
- It is your “assurance” - management is doing its job.
- aka “Opinion Letter”
- CPA’s letterhead
- Who addresses to

# Auditors Report

- First paragraph – *what they did*
  - “We have audited” ...
    - Not reviewed, compiled, prepared, preformed...
  - Auditors job: form an “opinion”.
- last sentence: note the heavy emphasis on who is “responsible”:  
**MANAGEMENT**

# Auditors Report (cont.)

- Second paragraph – ***exceptions***
  - “Except as discussed” ... or
  - “...audit conducted in accordance with certain auditing standards” ...
  - Last sentence of 2<sup>nd</sup> ¶ ... “we ‘believe’ our audit gives a reasonable basis for our opinion”.

# Auditors Report (cont.)

- Third or fourth paragraph – ***opinion***
  - “In our opinion...(except) ...(what)...”
  - ...“present fairly”
    - Don’t want to see “do not”

# Auditors Report (cont.)

- After the opinion paragraph you get some standard comments about reliance on internal control and other comments about what is NOT covered by the opinion.

# Annual Financial Report

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- Table of Contents
  - Introductory Section (cont.)
    - Financial Section
    - Statistical Section
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# Introductory Section

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- Auditors Report
- Managements Discussion and Analysis
  - Transmittal Letter
  - Charts and Tables
  - GFOA CAFR Award

# Managements Discussion and Analysis

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- Narrative overview and analysis of the financial activities
  - Financial highlights
    - Net Assets
    - Total Fund Balance
    - General Fund - Fund Balance
    - Capital Assets
    - Debt

# Managements Discussion and Analysis (cont.)

- Narrative overview and analysis of the financial activities (cont.)
  - Overview of the financial statements
    - Government-wide financial statements
      - Net Assets
      - Operations
    - Fund financial statements, and
    - Notes to the financial statements.
  - Overview of capital assets
  - Overview of debt
    - Including bond ratings
  - Who to contact for more information

# Introductory Section

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- Auditors Report
  - Managements Discussion and Analysis
- Transmittal Letter
- Charts and Tables
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# Annual Financial Report

- Table of Contents
- Introductory Section
- Financial Section
  - Statistical Section

# Financial Section

- Basic Financial Statements  
(aka government wide statements)
  - Statement of Net Assets
  - Statements of Activities
- Fund Financial Statements
  - Governmental (in columns)
  - Proprietary
  - Notes

# Financial Section

- Required supplementary information
  - Pension & OPEB (UAAL)
  - Budget
- Individual and non-major fund statements
- Discretely Presented Component Units

# Annual Financial Report

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- Table of Contents
  - Introductory Section
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  - Statistical Section
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# Statistical Section

- 10 year trend on:
  - Financial position
  - Revenues
  - Expenditure
  - Debt capacity information
  - Property tax base, levy, collections etc.
  - Demographics

**The End**