

ANNUAL REPORT

INTRODUCTION (GAAP based annual reports for large municipalities)

For more than 15 years, the GASB has been working to create a new financial reporting model for state and local governments. In June 1999, the board finally completed its work with the release of GASB Statement No. 34 – Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Without a doubt, GASB 34 represents the most important single change in the history of accounting and financial reporting for state and local governments.

The term “financial reporting model” has been used in recent years to describe the basic framework used for external financial reporting. Needless to say, the “financial reporting model” historically used by state and local governments differs substantially from that used by private-sector businesses. The principal differences between these two reporting models are fund accounting; the measurement focus and basis of accounting (MFBA); and budgetary reporting.

GASB felt that the current method in which state and local government handled its financial reporting was not meeting the needs of the users of the financial statements. Based on GASB research and analysis, it was determined that a new reporting model could be designed to assist the various classifications of the users of the financial statements. The new reporting model has various “sections” required which, for the current discussion, we will breakdown into three broad categories:

- A. Management’s Discussion and Analysis (MD & A)
- B. Government-wide Financial Statements
- C. Fund Financial Statements (including notes to the financial statements)

The three sections all have their purpose or focus group of readers of the financial statements.

The MD & A section appeals to that group of financial statement users that prefer a broad narrative, with summarized financial information, summary of financial picture of the entity. They prefer to read a description of what has happened during the fiscal year, rather than look at and analyze financial information.

The government-wide financial statements provide a more aggregated presentation of the financial information of the state or local government on changes in economic resource basis. This type of financial statement user is someone who wants a broad perspective of the overall financial picture of the state or local government.

The fund financial statements provide the detailed information of the state or local government’s major funds. This category of financial statements is very similar to the current reporting model used by state and local governments. This type of financial statement user is someone who wants or needs to analyze specific major areas of the state or local government.

The basic financial records will require very little modification. The manner in which the financial information is presented on the financial statements is what has changed.