



THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

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What is the CAFR report?

CAFR stands for Comprehensive Annual Financial Report. It is a set of financial statements for a state, municipality or other governmental entity that details the entity's financial position and operational results. It complies with the accounting requirements established by the Governmental Accounting Standards Board (GASB) and must be annually audited by an independent auditor.

The CAFR serves to provide insight into how public entities manage their finances.

The CAFR typically consists of three sections:

- **Introduction** – guides and orients the reader through the report
- **Financial** – presents the entity's basic financial statements along with any supplementary information that clarifies the financial statements
- **Statistical** – provides additional financial and statistical data that helps establish financial trends

What sections in the CAFR can help identify risk exposures?

Management's Discussion and Analysis (MDA)

Found in the financial section, the MDA is a narrative that describes the overall financial condition of the entity and may include key factors that occurred during the previous year that affected the entity's operations. It is also an unbiased look at the entity's current financial condition and its future financial condition.

Statement of Revenues, Expenditures and Changes in Fund Balances

Found in the financial section, the statement of revenues, expenditures and changes in fund balances is the entity's income statement, tracking the flow of resources in and out.

Demographic and Economic Information

Found in the statistical section, demographic and economic information provides detailed information that can include the entity's unemployment rate, population, full-time employees and per capita income.

Annual Financial Report vs. Budget vs. CAFR

- **Annual Report** – provides basic financial statements for the previous year
- **Budget** – provides documentation that shows how the entity plans to spend future revenues
- **CAFR** – provides more comprehensive data on the previous year, with supplementary information offering added detail