

Deciphering Governmental Financial Reports (A)
The Case of a Jefferson County, Alabama Resident

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Abstract

Larry, a resident of Jefferson County, Alabama, was bemoaning the minimum charges on his latest water bill in a phone conversation with his sister, Margaret. As of April of 2015, the base service charge before the first drop of water entered the house was \$39.30. A large portion of this was due to the County's attempts to update the sewer system to meet current standards after being sanctioned by the U.S. Environmental Protection Agency back in the mid 1990's.

Margaret wondered why no one foresaw the devastating financial woes of the County which led to its bankruptcy in 2011, so decided to investigate the financial reports of the County herself.

Learning Outcomes

After completing this case students will be able to:

1. Identify information relevant to a local government's financial condition in the government's management discussion and analysis (MD&A).
2. Assess the financial condition of a local government using the information provided by the MD&A.
3. Evaluate how well a local government's MD&A increases the transparency of governmental financial reporting.

Application

This case is most appropriate for Governmental Accounting both at the undergraduate and graduate level. It could also be used in Advanced Financial Accounting, if governmental accounting is included there instead of in a separate course.

Key Words

governmental accounting, GASB Statement #34, management discussion and analysis

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