

The Survey Says...

The seven most interesting findings from GFOA's survey on member attitudes toward financial reporting

BY HAI (DAVID) GUO

THIS ARTICLE summarizes results from GFOA's member survey on the future of financial reporting. It examines the views of annual comprehensive financial report (ACFR) preparers and users, evaluating ACFR usefulness, challenges, and influence on decision making. Key findings include:

Value perception. Preparers are cautious about the value of ACFRs, while non-preparers view them more favorably, appreciating the results without dealing with the preparation challenges.

Timeliness. Faster completion of ACFRs increases their perceived value among preparers.

Accessibility. ACFRs are often too complex for laypeople, suggesting a need for simpler reports and educational efforts to enhance public understanding.

Stakeholder impact. Timeliness is crucial for bond market investors, while elected officials and the public prioritize the content of the reports.

Public engagement. Public interest in ACFRs is generally low, with greater attention from media and watchdog groups in larger entities.

ACFR elements. Core financial statements are highly valued, whereas specialized disclosures are less critical, highlighting the need for balanced and user-friendly reporting.

Stakeholder interests. High-level financial information is preferred, emphasizing the need for clarity and relevance in ACFRs to build public trust and engagement. Improving ACFR timeliness, simplifying content, and enhancing public engagement can make financial reports more effective and accessible.

#1 Value Perception

The GFOA survey reveals how two key groups—those who prepare the reports (preparers) and those who use them in their profession but do not prepare them (non-preparers)—perceive the value of ACFRs. This analysis is essential for understanding the implications of ACFRs beyond their role in financial reporting.

Perceptions of ACFR preparers

Exhibit 1 shows that ACFR preparers view the value of reports positively, though cautiously. Of preparers:

- **26 percent** believe ACFRs are definitely a good value.
- **29 percent** see them as probably a good value.
- **24 percent** are neutral, neither positive nor negative.
- **14 percent** think they are probably not a good value.
- **Seven percent** view them as definitely not a good value.

These responses reveal a nuanced perspective where, despite most seeing positive value, a large percentage of preparers express concerns about costs versus benefits of producing ACFRs.

Perceptions of non-preparers

Non-preparers have a more favorable outlook toward ACFRs than preparers.

Of non-preparers:

- **42 percent** believe ACFRs are definitely a good value.
- **29 percent** see them as probably a good value.
- **20 percent** are neutral, neither positive nor negative.
- **Six percent** think they are probably not a good value.
- **Three percent** view them as definitely not a good value.

Non-preparers less involved in producing ACFRs tend to appreciate the end results, as they rely on the reports for making decisions.

Comparative analysis

The differences in perceptions between ACFR preparers and non-preparers stem from their roles and experiences with the reports:

Preparers involved in the detailed and regulatory aspects of creating ACFRs tend to be more critical of the process, weighing the effort and resources required versus the benefits.

Non-preparers benefit from the completed reports without facing the challenges of preparing them. Their appreciation may arise from how these reports enhance their work functions, providing crucial insights without the burden of producing them.

These differences highlight a significant aspect of financial reporting: a report's value depends on its content and compliance with standards. It also depends on how users interact with it and how close they are to its production challenges. While preparers focus on costs because of their close involvement, non-preparers value the accessibility and usefulness of the information for decision making.

Implications for financial reporting practices

Understanding these differences is crucial for organizations and regulatory bodies like GFOA that work to improve the effectiveness and accessibility of financial reports. This effort may include simplifying reporting processes, making reports clearer, or reassessing the information needed to meet compliance and user needs.

The insights from Exhibit 1 show that while ACFRs are valued, there is room to improve their perceived value across all user groups by addressing concerns of the stakeholders, particularly preparers. Such improvements can lead to more user-friendly and efficient reporting practices, better meeting the needs of all stakeholders in public finance management.

EXHIBIT 1
Overall Value of ACFRs

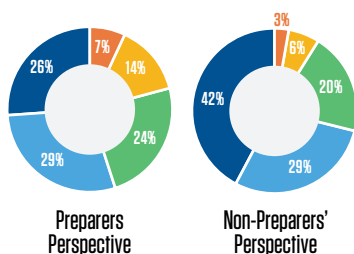
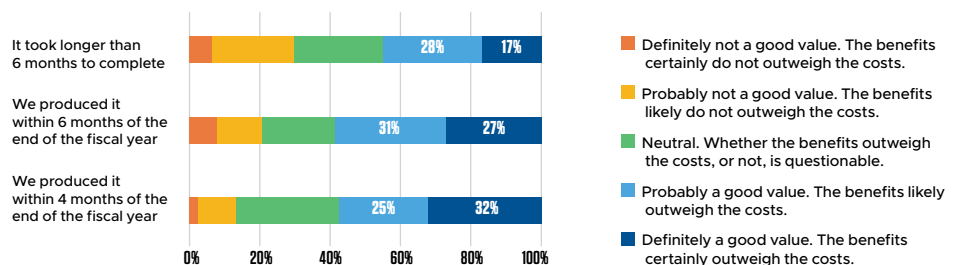


EXHIBIT 2
Overall Value of ACFR by Timeliness



#2 Timeliness

Exhibit 2 presents insightful data on how timeliness of ACFR completion affects its perceived value among preparers.

Key observations

Duration and value perception. The survey data shows a clear trend: The longer it takes to complete the ACFR, the less likely preparers are to rate it as “definitely a good value.” Only 17 percent of preparers who took longer than six months to complete the ACFR considered it “definitely a good value.” In contrast, 27 percent who finished within six months and 32 percent who finished within four months regarded it as “definitely a good value.”

Implications of timeliness

The speed in completing the ACFR not only affects its perceived usefulness but also the preparers’ satisfaction and assessment of the cost-benefit ratio. Faster completions reduce resource drain and enhance the perceived value of the effort invested.

Perception across different timelines

There is a notable decline in positive valuation as completion time increases. This correlation may reflect growing frustration or diminishing benefits as the process drags on.

Broader impact

Resource allocation. Efficient resource management during ACFR preparation can enhance its perceived value. Preparers who complete the reports quicker may see this efficiency as a sign of better financial and operational management.

Policy and process improvements. Insights from this data can be crucial for shaping policies on resource allocation, deadlines, and process improvements in financial reporting. Streamlining the ACFR process could improve preparer satisfaction and the overall perceived value of reports.

Training and tools. Investing in training for staff who prepare the ACFRs, along with adopting efficient tools and technologies, can reduce preparation times and improve the perceived value of ACFRs.

KEY TAKEAWAY

The GFOA survey reveals a notable trend: The faster ACFRs are completed, the higher their perceived value among preparers. This shows the need for more efficient reporting. Improving the process can benefit the organizational and financial management goals of public entities.

#3 Accessibility

The GFOA survey results, especially in Exhibit 3, provide crucial insights into the accessibility of ACFRs for the average person. The preparers’ feedback highlights a major gap between the content of ACFRs and how well the public understands them. This gap reveals a broader issue in financial reporting: its limited accessibility to laypersons.

Overview of follow-up comments

Value for decision-making. Many respondents who see the ACFR as “definitely a good value” point out its importance for making informed decisions and its benefit to the public.

Complexity and cost concerns. Those with a neutral or negative perception often cite the complexity and high cost associated with Governmental Accounting Standards Board (GASB) compliance as detractors from the value of ACFRs. This is a financial burden and a barrier to understanding for laypersons.

User-friendliness for laypersons.

A common theme is the ACFR’s lack of user-friendliness for laypersons. Many preparers express concerns that the format and technical language in ACFRs make it difficult for the public to extract meaningful insights.

Key issues highlighted

Complex regulatory requirements. The GASB standards ensure consistent and thorough financial reporting, but they make the reports hard for non-experts to understand.

Need for simplified reporting. Feedback shows a need for financial reports that are reliable and easy for the average person to understand.

Bridging the accessibility gap. To make ACFRs more accessible, it may be helpful to offer educational programs to improve public financial literacy and create tools that simplify complex financial data.

Proposed solutions

Executive summaries and visual aids.

Add executive summaries to ACFRs that explain key findings in simple language. Use charts and visual aids to show financial trends and data points.

Interactive digital reports. Use technology to create interactive digital versions of ACFRs. They should be user-friendly and include features like glossaries, tooltips, and breakdowns of complex financial concepts to help with user engagement.

Public engagement initiatives. Hold workshops, webinars, and public meetings to discuss ACFRs with the community. The goal is to enhance understanding and show how these reports are relevant to everyday financial decisions for the public.

KEY TAKEAWAY

The GFOA survey, especially Exhibit 3, shows the need for ACFRs to be accessible and relevant to laypeople. Making these changes will increase citizen engagement with public finances. It will also improve accountability and transparency in government financial management. As ACFRs become easier for the public to understand, they will serve as tools for public oversight and informed public participation, ensuring they meet the needs of a wider audience.

#4 Stakeholder Impact

The GFOA survey analysis shows clear differences in how the timely completion of ACFRs affects stakeholder groups, particularly bond market investors versus elected officials and the public. It shows the varied priorities and needs of these groups. And again, the GFOA survey was only sent to GFOA members, so the findings below reflect GFOA member perceptions about these audiences.

Bond market investors

Bond market investors rely on timely financial reporting to make informed investment decisions. The survey data shows that delivering timely ACFRs increases the satisfaction of bond buyers. This is because current financial data is needed for evaluating the fiscal health and creditworthiness of bond issuers, which affects investment decisions and risk assessments.

Elected officials

Elected officials value timely financial reports but are slightly less concerned about the speed of ACFR completion, compared to bond market investors. They focus more on the accountability and transparency that ACFRs provide. While timely reporting is beneficial, slight delays in completing ACFRs do not affect elected officials as much as bond market investors. The data suggests

that elected officials believe the service quality stays the same even if the ACFR completion takes longer, reflecting their focus on content over timing.

The general public

The timeliness of ACFR completion is less critical to the public than to bond buyers and elected officials. Public engagement with ACFRs is low, and delays in reporting do not significantly change the public's perception of service quality—which could be because of a lack of awareness or limited understanding of ACFRs. This reduces the perceived importance of timely financial data.

Implications for financial reporting

The effects of ACFR timeliness on stakeholders suggest that while all groups benefit from timely and accurate financial reporting, the level of impact differs greatly. For bond market investors, faster and more efficient ACFR preparation could directly influence the perceived value and usefulness of them. It could also influence investment decisions and affect market dynamics.

For public entities, this insight could guide resource allocation by prioritizing completion of ACFRs to meet the needs of bond market investors while meeting the needs of elected officials and the public. Increasing public engagement and understanding of ACFRs could make report timeliness more important to all groups, making timeliness a valued and shared goal.

KEY TAKEAWAY

Recognizing the unique needs and reactions of different stakeholder groups to the timeliness of ACFR completion can help preparers tailor financial reporting practices to better serve these audiences. Bond market investors need quick disclosures for their time-sensitive decisions, while elected officials and the public may benefit more from clear and relevant reports. Focusing on these aspects could improve engagement and the overall usefulness of ACFRs. This approach could lead to effective financial management and strong financial health across public entities.

#5 Public Engagement

The GFOA survey findings reveal another trend: The public has limited interest in ACFRs. The survey also examines factors that attract specialized groups to these reports, such as watchdog organizations.

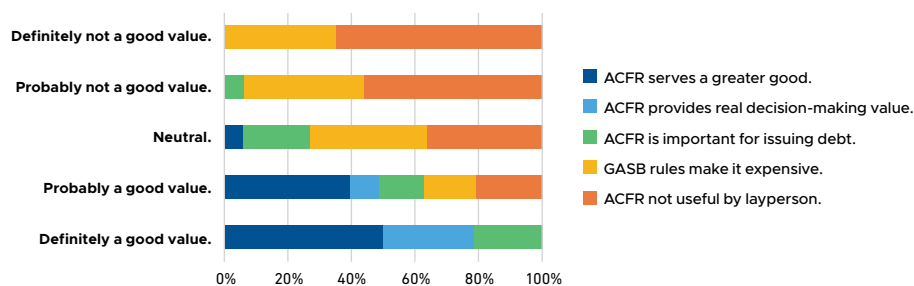
Limited public engagement

The survey results show a lack of interest in ACFRs among the public. This low engagement persists regardless of the size of the entities or how quickly the ACFRs are completed. There is a disconnect between what ACFRs contain and their relevance or accessibility to the average citizen.

Influence of entity size and report timeliness

While public interest in ACFRs is low, larger entities and those that complete ACFRs quickly tend to draw more attention from groups like media and watchdog organizations. This interest is likely because larger entities have substantial economic or social impacts. Their financial health and decisions are crucial. Additionally, completing ACFRs more quickly may signal a well-managed entity, attracting those who value fiscal responsibility and transparency.

EXHIBIT 3 | Follow-Up Comments on the Value of ACFRs





Factors that enhance specialized group interest

Entity revenue size. Larger entities often have more complex financial activities and broader implications for public and private interests, making ACFRs important to watchdogs and the media. These entities are often involved in activities that draw scrutiny, such as debt issuance or large-scale public projects.

Timeliness of ACFR completion.

Entities that complete their ACFRs within four months often show higher organizational efficiency and transparency. Groups that monitor public resources and governance value these qualities.

Debt issuance frequency. Entities that issue debt more often attract attention from specialized groups. Debt issuance indicates active financial management and requires ongoing scrutiny to assess fiscal health and sustainability.

Implications for public entities

The lack of public interest in ACFRs suggests a need to make them more accessible and relevant. Public entities might consider:

Simplifying financial reports.

Creating user-friendly summaries or visuals of ACFR data could help make complex financial information easier for the public to understand.

Enhancing public outreach.

Holding workshops and informational sessions, as well as maintaining an online presence, could improve public understanding of and interest in financial reports.

Leveraging technology. Digital platforms that allow interactive exploration of ACFRs could make them more engaging and easier for non-experts to understand.

KEY TAKEAWAY

Although specialized groups show steady interest in ACFRs, the public remains uninvolved. This gap highlights a key area for improvement in public financial reporting. By making ACFRs more accessible and relevant, public entities can help citizens become more informed and engaged. Such efforts will strengthen the process and ensure accountability in managing public finances.

#6 ACFR Elements

Exhibits 4 and 5 show how stakeholders perceive various elements of ACFRs. This comparison reveals what stakeholders value in financial reporting.

ACFR elements considered for discontinuation

Exhibit 4 lists the elements of ACFRs that preparers consider discontinuing because of the high cost of producing them outweigh the benefits (and subscription-based technology arrangements and leases are both recently introduced, so it's possible that finance officers will feel differently in the future). The elements include:

- **Subscription-based information technology arrangements** (89 percent suggest discontinuation)
- **Leases** (83 percent suggest discontinuation)
- **Derivative instruments, other post-employment benefits plans, and asset retirement obligations** (each around 50 percent)

The elements considered essential and least likely to be discontinued include:

- **Debt and other long-term liabilities** (only two percent suggest discontinuation).
- **Fund financial statements** (only four percent suggest discontinuation).

This data shows that preparers prefer to keep information that affects the financial health and long-term obligations of entities. Meanwhile, detailed and less relevant information is viewed as expendable.

Implications of the comparison

A comparison of Exhibits 4 and 5 shows that core financial statements are highly valued by different user groups, while specialized disclosures are often undervalued. This suggests that while detailed financial data is crucial for informed decision-making among financial professionals, it may be less relevant to non-experts who use ACFRs in less technical roles.

EXHIBIT 4 | ACFR Elements to Discontinue

ELEMENTS IN ACFRs	Keeps	Discontinues	Percentage of Discontinues
Reporting and disclosures pertaining to subscription-based information technology arrangements	28	227	89%
Reporting and disclosures pertaining to leases	46	223	83%
Reporting and disclosures pertaining to derivative instruments	58	63	52%
Reporting and disclosures pertaining to other post-employment benefits plans	128	130	50%
Reporting and disclosures pertaining to asset retirement obligations	79	80	50%
Reporting and disclosures pertaining to defined benefit pension plan and other post-employment benefits plans	151	119	44%
Reporting and disclosures pertaining to landfill closure and post-closure obligations	70	53	43%
Reporting and disclosures pertaining to pollution remediation obligations	75	51	40%
Reporting and disclosures pertaining to public private partnerships	93	59	39%
Reporting and disclosures related to tax abatements	102	62	38%
Government-wide financial statements	174	86	33%
Reporting and disclosures pertaining to financial guarantees	113	46	29%
Reporting and disclosures pertaining to risk financing (claims and judgments)	200	46	19%
Reporting and disclosures pertaining to deposits and investments, including repurchase agreements	228	34	13%
Fund financial statements	252	10	4%
Reporting and disclosures pertaining to debt and other long-term liabilities	266	5	2%

EXHIBIT 5 | Willingness to Purchase Access to ACFR

Imagine a world where you must purchase access to individual elements of a government's annual financial report. You have \$100 total to spend. How much would you allocate to each element of financial reporting to gain access to that element for a government?

ITEMS	Average	Median	Max
Government-wide financial statements	\$23.00	\$25.00	\$40.00
Fund financial statements	\$28.47	\$30.00	\$90.00
Reporting and disclosures pertaining to defined benefit pension plan and other post-employment benefits plans	\$ 8.59	\$10.00	\$25.00
Reporting and disclosures pertaining to other post-employment benefits plans	\$ 7.18	\$ 5.00	\$25.00
Reporting and disclosures pertaining to leases	\$ 4.06	\$ 5.00	\$10.00
Reporting and disclosures pertaining to subscription-based information technology arrangements	\$ 4.06	\$ 4.00	\$10.00
Reporting and disclosures pertaining to deposits and investments, including repurchase agreements	\$ 6.82	\$ 5.00	\$15.00
Reporting and disclosures pertaining to risk financing (claims and judgments)	\$ 6.00	\$ 4.00	\$25.00
Reporting and disclosures pertaining to debt and other long-term liabilities	\$12.06	\$10.00	\$25.00

How would you spend another \$100 on more specialized elements of financial reporting?

ITEMS	Average	Median	Max
Reporting and disclosures pertaining to public private partnerships	\$14.71	\$15.00	\$40.00
Reporting and disclosures pertaining to derivative instruments	\$ 8.35	\$10.00	\$15.00
Reporting and disclosures pertaining to landfill closure and post closure obligations	\$13.35	\$12.00	\$50.00
Reporting and disclosures pertaining to pollution remediation obligations	\$10.12	\$10.00	\$20.00
Reporting and disclosures pertaining to asset retirement obligations	\$18.76	\$15.00	\$90.00
Reporting and disclosures pertaining to financial guarantees	\$14.12	\$15.00	\$25.00
Reporting and disclosures pertaining to tax abatements	\$12.35	\$15.00	\$30.00

EXHIBIT 6 | Highly valuable elements in the ACFR perceived by different users

ELEMENTS OF THE ACFR	Accounting	Budget	All Users
Whether or not we got a “clean audit”	85%	58%	75%
Our amount of fund balance, as described in the governmental funds balance sheet	70%	64%	62%
Compliance with the adopted budget	59%	64%	60%
The financial condition of various individual funds, as described in basic fund financial statements	70%	47%	54%
The general trends discussed in the management discussion and analysis	56%	33%	45%
The government-wide financial position as described in the government-wide financial statements	48%	36%	40%
The size of our pension liability, as described in government-wide statement of net position	44%	28%	33%
Amount of net assets, as described in the proprietary fund financial statements	52%	24%	31%
The information found in the statistics section	30%	39%	31%
The discussion of our pension liability in the notes to the financial statements	33%	26%	28%
The composition of the capital assets in the note disclosures	37%	21%	26%

EXHIBIT 7 | Elected officials’ interest in the ACFR

ELEMENTS OF THE ACFR IN WHICH MOST OF THE ELECTED OFFICIALS HAVE GENERAL INTEREST	Count	Proportion
Whether or not we got a “clean audit”	281	95%
Our amount of fund balance, as described in the governmental funds balance sheet	185	62%
Compliance with the adopted budget	140	47%
The financial condition of various individual funds, as described in basic fund financial statements	112	38%
The general trends discussed in the management discussion and analysis	96	32%
The size of our pension liability, as described in government-wide statement of net position	69	23%
The government-wide financial position, as described in the government-wide financial statements	66	22%
The information found in the statistics section	48	16%
The government-wide financial position, as described in the government-wide financial statements	39	13%
Amount of net assets, as described in the governmental funds balance sheet	35	12%
The discussion of our pension liability in the notes to the financial statements	20	7%
The composition of the capital assets in the note disclosures	20	7%

297 preparers make a valid response to this question.

There is a preference for high-level financial data but less interest in detailed financial disclosures. Public entities can close the gap by restructuring reports and enhancing stakeholder engagement initiatives. These efforts should make ACFRs more useful and effective for financial transparency and building public trust.

Willingness to purchase access to ACFR elements

Exhibit 5 explores a hypothetical scenario where non-finance users must budget for access to ACFR elements, reflecting their perceived value. The elements receiving the most funding include:

- **Fund financial statements** (average allocation of \$28.47)
- **Government-wide financial statements** (average allocation of \$23)

Less critical elements like leases and subscription-based IT arrangements received low allocations (\$4.06 each). These align with preparers' views on their dispensability.

KEY TAKEAWAY

The two tables suggest that financial reporting should find a balance. Reports should provide the details that professionals need but also be accessible and relevant to a wider audience. This might mean simplifying elements or enhancing explanations in ACFRs to make them clearer. By doing this, public entities can improve their financial reports, meet the needs of all stakeholders, and encourage effective public involvement.



Stakeholder Interests

Exhibits 6 and 7 show a clear pattern in how different elements of ACFRs are valued and viewed. Stakeholders generally agree on the importance of high-level financial information like clean audits and fund balances, but there is less interest in detailed areas like pension liabilities and capital asset composition. Again, the results reflect GFOA member perceptions of stakeholder interests.

High-level financial information

The tables show that high-level financial elements are highly valued by various stakeholder groups.

Clean audits. Most elected officials (95 percent) view clean audits as crucial. This view is shared by all ACFR users. Clean audits indicate overall financial health and governance quality.

Fund balances. Both tables show strong interest in fund balance information, particularly elected officials (62 percent) and those in accounting and budget roles. This highlights its importance in assessing fiscal stability and resource availability.

Specialized financial details

Specialized financial details receive less attention and are seen as less valuable:

Pension liabilities and capital asset composition. These details are less interesting to elected officials and less valued by ACFR users. While needed for full financial understanding, their complex nature may limit stakeholder engagement.

Management's discussion and analysis. Despite its role in providing context and forward-looking insights, only 32 percent of elected officials are interested in this section. This suggests that narrative disclosures, which could improve stakeholder understanding, are not being fully utilized.

Implications of the findings

While stakeholders value transparent and comprehensive financial reporting, they focus on the immediate and significant indicators of financial health. This can lead to several implications:

Report design. There might be an opportunity to redesign ACFRs to highlight key information while simplifying the detailed, specialized data.

Stakeholder education. There is a need to enhance understanding of less important but engaging areas like pension liabilities. Educating stakeholders about these elements could improve engagement and informed decision making, helping to close the current interest gap.

Policy adjustments. The feedback from stakeholders should guide changes to financial reporting standards policies. These changes should meet user needs without overwhelming them with technical details.

KEY TAKEAWAY

Exhibits 6 and 7 show how different stakeholders view the elements of ACFRs. There is a preference for high-level financial data but less interest in detailed financial disclosures. Public entities can close the gap by restructuring reports and enhancing stakeholder engagement initiatives. These efforts should make ACFRs more useful and effective for financial transparency and building public trust.

Conclusion

The GFOA survey highlights the need for improvements in the presentation and accessibility of Annual Financial Reports (ACFRs). To enhance their value, it is crucial to focus on timely completion, simplification of complex information, and increased public engagement. By making ACFRs more user-friendly and understandable, we can better serve all stakeholders, including preparers, non-preparers, elected officials, and the public. This approach will not only improve financial transparency and decision making but also strengthen public trust and involvement in government financial matters. Moving forward, embracing these changes will lead to more effective and inclusive financial reporting practices. ■

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