

GFOA's Rethinking Financial Reporting

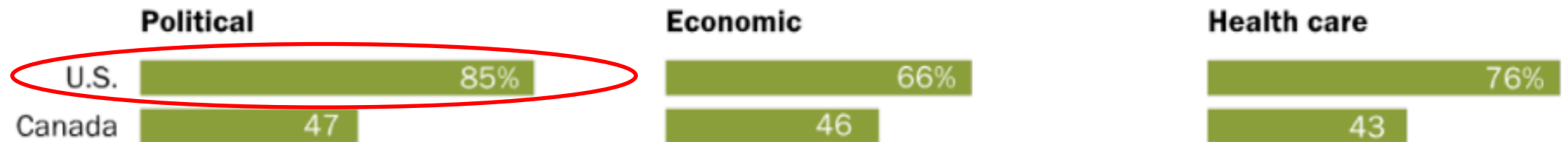


Why are We Rethinking?

Pew Research Center, October 2021

Many see need for significant political, economic and health care reform

% who say the ___ system in (survey public) needs to be completely reformed/needs major changes



Why are We Rethinking Financial Reporting?

% Total	Category (As Voted for by Preparers of AFRs)
26%	Definitely a good value. The benefits certainly outweigh the costs
29%	Probably a good value. The benefits likely outweigh the costs.
24%	Neutral. Whether the benefits outweigh the costs, or not, is questionable.
14%	Probably not a good value. The benefits likely do not outweigh the costs
7%	Definitely not a good value. The benefits certainly do not outweigh the costs.

Who is the Audience for Financial Reporting?

% of First Place Votes for Most Important Audience
as Voted for by AFR Preparers

Bond Buyers	Elected Officials	Public
28%	33%	39%

How Well Served are Audiences, in View of Preparers?

	Bond Buyers	Elected Officials	Public
Well served	47%	36%	27%
Adequately served	34%	36%	25%
Neutral	16%	15%	23%
Inadequately served	2%	10%	15%
Poorly served	1%	4%	10%



Views seem pretty consistent...

- Results I just showed do not seem to vary much by...
 - Frequency with which debt is issued
 - Size of reporting organization
 - Attitudes about value or who the audience is
- **Those who take longer to prepare perceive less value**



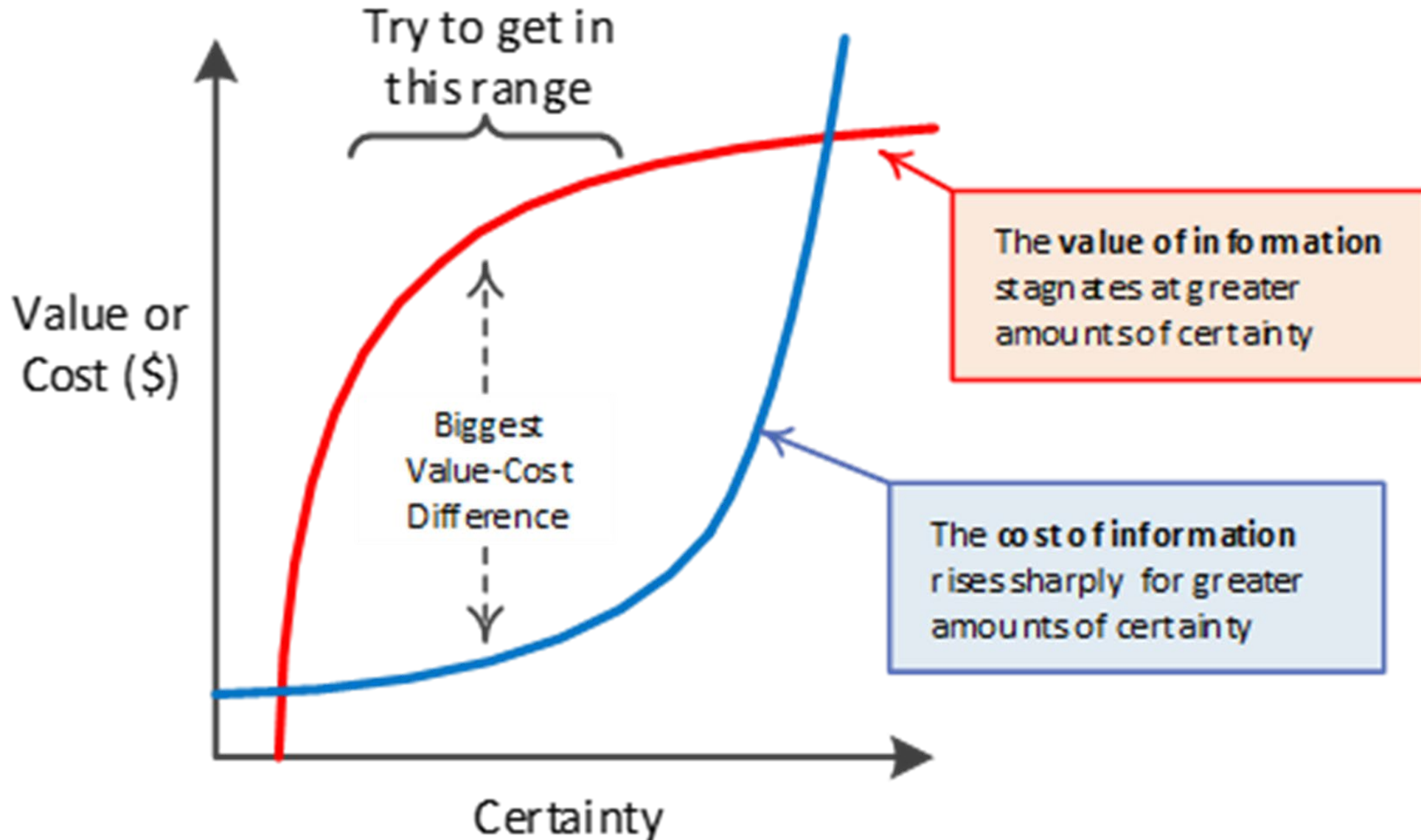
The Search for Solutions

This is a long-term project

- Near-term
 - Reveal secrets of those in the 4-month club
 - Examine potential for better balance of risk when considering materiality
 - GovFi Prizes
- Mid-term
 - NextGen Financial Reporting
 - NextGen Financial Indicators
- Long-term
 - Time will tell

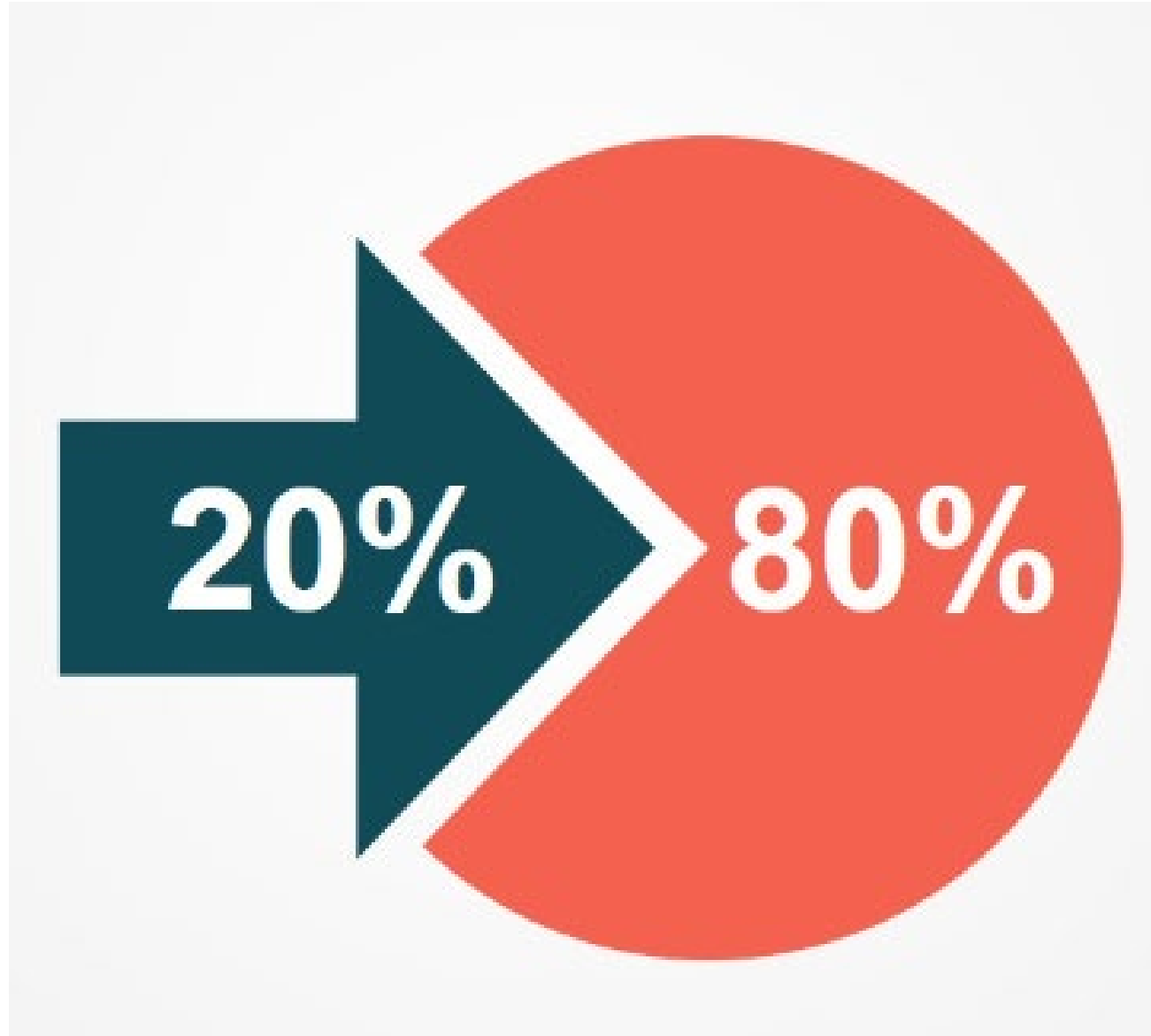


The Value of Information. *The diminishing returns problem.*



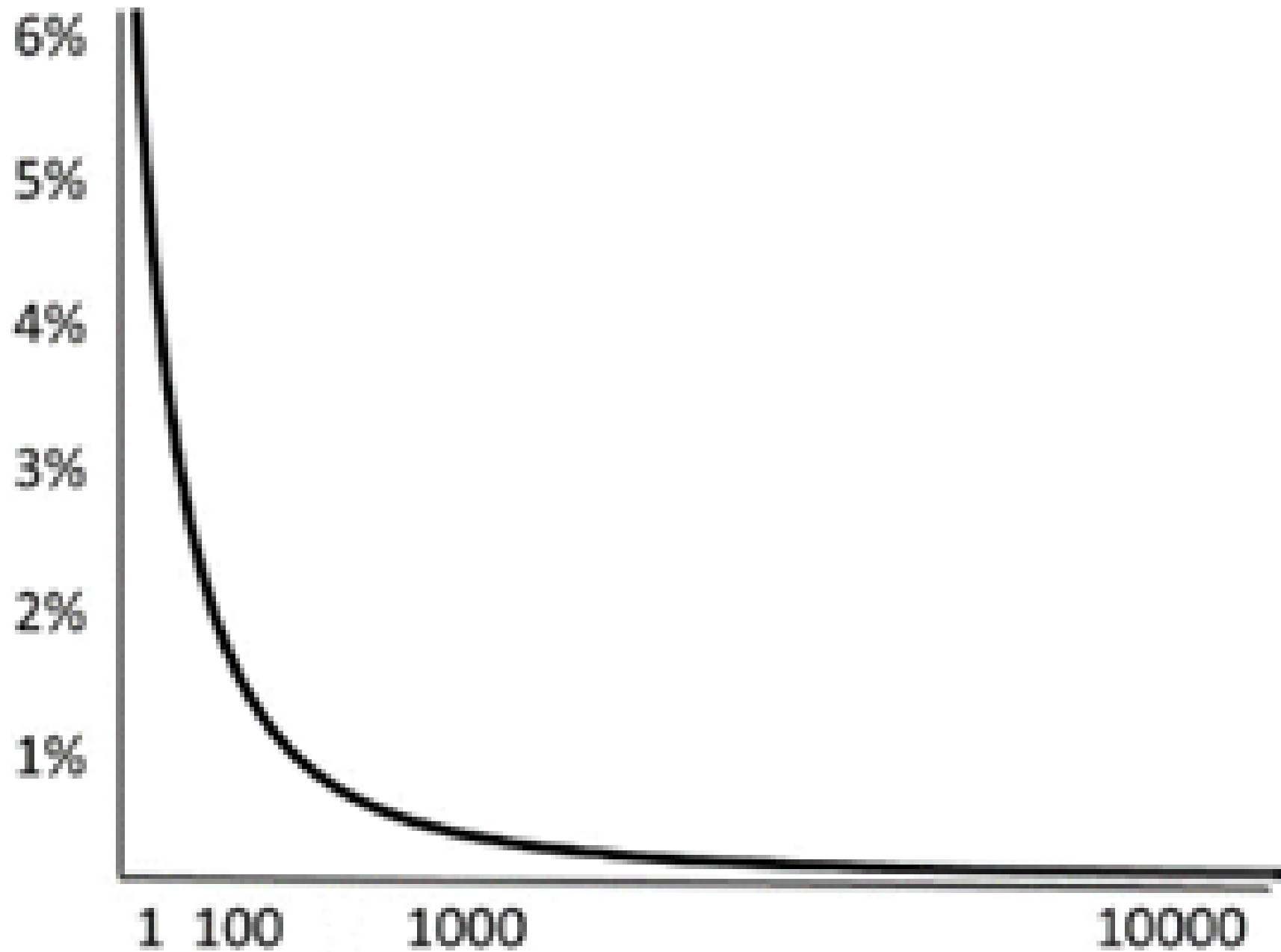
The 80/20 rule. *Taking advantage of leverage points*

Effort



Result

Webpage
Links



The Science of Subtraction: *Less can be more.*

- People add to what exists and shy away from subtracting. Subtraction is an underused way to optimize systems.
- Imagine there are no legal requirements for what to report. What would you discontinue reporting because the cost to produce it is too high for the benefit users receive from it?

% Who Would Eliminate	Element
89%	Reporting and disclosures pertaining to subscription-based information technology arrangements
83%	Reporting and disclosures pertaining to leases
50.4%	Reporting and disclosures pertaining to other post-employment benefits plans

Technology to the Rescue(?)

- Delivering a presentation *personalized* to audience. This includes the scope of what is in the report and the detail and technical complexity of the information.
- Enabling information to be *pushed or pulled* by the audience at a schedule that meets the audience's needs.
- Making information *free to be aggregated* across governments for purposes that serve the public interest.
- Accelerating *third-party validation* of information.
- Based on technology platform that is *aligned with the values* of the community that local government serves.

The End

- Visit gfoa.org/rethinking-financial-reporting
- "This report reads like a page-turning non-fiction book; one that captures the reader's attention from the beginning and holds it tightly throughout."
 - Stephen H. Hagerty, Former Mayor of Evanston, IL, and President of Hagerty Consulting