

Preparing Popular Reports

The original recommended practice was developed by the Government Finance Officers Association (GFOA). Some aspects of the practice have been revised by the Financial Management Capacity Building Committee (FMCBC) for use by Nova Scotia municipal governments. The original GFOA-recommended practice is *Preparing Popular Reports*, approved by the Committee on Canadian Issues in 2003, and revised in 2007. Other sources used are footnoted in the text.

Recommendation

The GFOA recommends governments supplement their comprehensive annual reports with simpler, “popular” reports designed to assist those who need or desire a less-detailed overview of a government's financial activities. Such reporting can take the form of budget to actual comparisons, key funds, fund balances, or consolidated presentations. Following the GFOA recommendation, the FMCBC recommends that municipalities prepare a popular report of their annual financial statements.

Purpose

The purpose of preparing a popular report of the annual financial statements is to make financial information more accessible to the general public and thereby improve governmental accountability. An increased understanding among citizens will lead to an improved base for dialogue between elected officials and citizens concerning municipal finances.

Background

Municipalities in Nova Scotia prepare financial statements for each fund or activity administered by the council and for each fund or activity where the control is apparent or implied by the council. In addition, the municipalities prepare summary consolidated statements.¹ The scope of annual financial statements presented in conformity with Canadian Institute of Chartered Accountants *Public Sector Accounting Handbook (CICA PSA Handbook)* is broad, and data in those statements are usually presented at a high level of detail. Such comprehensive and detailed presentations meet the needs of decision makers and demonstrate compliance with legal requirements to oversight bodies and others.

Annual financial statements issued in conformity with the *CICA PSA Handbook* are essential if municipalities are to meet their obligation to be accountable to citizens. Unfortunately, the comprehensiveness and level of detail found in the financial

statements may confuse or discourage those unfamiliar with accounting and financial reporting. The use of a popular report may help communicate financial information.

While preparing a popular report, it is important to ask the question: what are citizens really interested in? Generally, citizens are likely to be interested in the following three aspects²:

- What are the results and outcomes of last year?
- What is new?
- What is likely to happen in the future?

Considerations in Policy Development

A popular report of the annual financial statements can and should vary widely in accordance with local governments' different needs. Creativity is very important in the preparation process. There are some guidelines that can be considered (further explanations of these guidelines and examples can be found in *Appendix II* and *III*):

- 1) Prepare the report on a timely basis;
- 2) Clearly indicate the scope of the report;
- 3) Use the narrative to highlight important aspects;
- 4) Use a format that attract, and hold, the readers' interest;
- 5) Use comparative data to identify trends;
- 6) Provide an opportunity for feedback;
- 7) Present the information in a balanced and objective manner;
- 8) Use distribution methods according to the intended readership; and
- 9) Review different *cost alternatives* for producing the popular report.

Appendices

Appendix I: Methodologies in the Preparation of the Popular Report

Appendix II: Considerations in Policy Development

Appendix III: Examples of Popular Reporting: Municipality of the District of West Hants

Appendix I: Methodologies in the Preparation of the Popular Report

There are several methodologies that can be used when constructing a popular report. The following methods that will be discussed are consolidated financial information, budget-to-actual comparisons, selected funds, and narrative with graphs and charts³. Popular reports often include elements of more than one of the mentioned methodologies.

The Consolidated Financial Information Method

When using the consolidated financial information method, one single column is used for all funds and account groups, and appropriate elimination entries are made. The same measurement focus and accounting basis are normally used for all financial data. The advantage of the consolidated method is that only one basis of accounting and measurement is used. The assumptions made when using this method should be clearly stated.

The Budget-to-Actual Comparisons Method

Budget-to-actual comparisons are another possible approach for popular reports. The original budget is compared with the actual results for all fund types. It is easy for the reader to get information on how well the municipality has managed to meet its budget objectives. The basis for the presentation and which funds are being presented should be specified in the report, and a brief explanation of major variances should be included.

The Selected Funds Method

The selected funds method focuses on financial information for certain key funds, and therefore, does not give a complete picture of the municipality's financial status. The advantage of this method is that it focuses on key funds and explains major variances.

The Narrative Method with Graphs and Charts

Financial statements are not presented in the narrative method with graphs and charts. Instead, graphics are used to demonstrate the municipality's finances together with an extensive description in text format.

Appendix II: Considerations in Policy Development

1) Prepare the Report on a Timely Basis

The popular report should be issued on a timely basis, no later than six months after the close of the fiscal year. It is important that the information that is given in the popular report of the annual financial statements is still relevant. Format and layout can be determined in advance of the budget and year-end cycles. The popular report should also be updated on annual basis. This will allow for the timely production of the popular report as a supplement for the financial statements.

2) Clearly Indicate the Scope of the Report

The scope of the popular report and its relation to the annual financial statements should be clearly indicated. An explanation of the popular report's scope and its relation to the annual financial statements helps the reader to understand in what context the document is prepared. An explicit reference to the annual financial statement should be given for readers who wish to obtain more detailed information on the finances of the municipality. The following example is from City of Calgary's popular report 2003, *City of Calgary: Report to Citizens*.

These summarized consolidated financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles. Readers are cautioned that these statements may not be appropriate for their purposes. For more information on The City's financial position and the results of its financial activities and the changes in its financial position, reference should be made to the related complete consolidated financial statements.

3) Use the Narrative to Highlight Important Aspects

The narrative should be used to highlight and explain items of particular importance. It can also be used to highlight and explain how a special project that might have gained extra attention from the public has affected the municipality's finances. The following example is from City of Calgary's popular report 2003, *City of Calgary: Report to Citizens*.

Doing things better.

Every operation within The City of Calgary is looking for ways to cut costs and save money. Savings have been and continue to be achieved in many ways:

- By retrofitting all 730 traffic signals with energy-efficient light-emitting diode (LED) technology, The City will save more than \$670,000 a year in electricity costs while reducing CO2 emissions by 8,610 tonnes per year. The three-year retrofit project is expected to pay for itself in five years.

4) Use a Format that will Attract and Hold the Readers' Interest

The format of the popular report should attract and hold the readers' interest, which can be done in various ways. Municipalities should consider the following guidelines⁴:

- *Start with a clear introduction and a manner that is easy to follow.* For example, divide the Statement of Operations into small sections describing and explaining variances between the budget and the actual results, followed by a summary.
- *Use a clear and concise writing style.* This includes short sentences, paragraphs, and sections; familiar words; and liberal use of headings. Technical jargon should be avoided. Potentially confusing terms that cannot be avoided should be explained.
- *Include photographs, charts, or other graphics.* For example, tabular format or bar charts can be used to present summarized information such as total revenues and expenditures, which allows the reader to make an easy comparison. Complementary details to the graphics can be presented in the text.
- *Keep it short and focus on a few significant aspects.* One or two pages overview can often be enough.

5) Use Comparative Data to Identify Trends

Comparative data should be used constructively to help identify trends useful in the interpretation of financial data.

- Comparisons allow a broader understanding of the municipality's current position. Comparisons can, for example, take place between planned and actual budget or financial positions from the current year and the years before.
- Comparative data that influences the municipality's current position, such as assessment growth, changes to legislation or regulations, demographics, and other indicators, should also be included.

6) Provide an Opportunity for Feedback

Users of popular reports should be encouraged to provide feedback. An easy way to do this is include a section with contact information for feedback. Attaching a form that the reader can fill in and send to the municipality is another alternative. Citizens can also be given the opportunity to fill in a form on the municipality's website.

7) Present the Information in a Balanced and Objective Manner

The popular report should establish its credibility with its intended readers by presenting information in a balanced and objective manner. An example of objectivity would be equal treatment of negative and positive economic trends. Popular reports of annual financial statements or reports do not have to be presented according to GAAP (see the example from Calgary in section two in this Appendix). Full disclosure, precise accounting terminology, and an independent audit would contradict many characteristics of popular reports.⁵

8) Use Distribution Methods According to the Intended Readership

Popular reports should be distributed in volume and manner appropriate to their intended readership. A variety of different options for distribution exist, for instance providing copies to libraries, professional offices, and as tax bill inserts; and mailing sample copies to households; and posting the report on the municipality's website.

9) Review different cost alternatives for producing the popular report

The costs of producing a popular report vary with several factors, which municipalities have to take into account.⁶ The most important factors are:

- The format of the report (e.g. booklet or newspaper);
- The quality of paper used;
- The extent to which multi-colour presentations are used;
- The length of the report;
- The number of copies printed;
- The personnel resources required; and
- The distribution method for the report.

Appendix III: Example of Popular Reporting: Municipality of the District of West Hants

http://www.westhants.ca/index.php?option=com_content&task=view&id=123

References

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Notes

¹ Public Sector Accounting Board, The Canadian Institute of Chartered Accountants. *CICA Public Sector Accounting Handbook*.

² Sharp, Florence C, Frances H. Carpenter, and Robert F. Sharp. "Popular Financial Reports for Citizens," *The CPA Journal* 63, no 3 (1998): 34-38.

³ Hennessy Barbara R. "Communicating Financial Data to Nonaccountants: A Case for Popular Reporting," *Government Finance Review* 7, no. 5 (1991): 7-10.

⁴ Sharp, Carpenter and Sharp, 1998.

⁵ Sharp, Carpenter and Sharp, 1998.

⁶ Hennessy, 1991.