



BEST PRACTICE

Recommended Budget Practice on the Statistical/Supplemental Section of the Budget Document (2005) (BUDGET)

Background. The goal of the statistical/supplemental section of the budget document is to provide a context for understanding the decisions incorporated into the budget document. A high-quality statistical/supplemental section presents a valuable perspective to interested shareholders when reviewing budget issues and making decisions related to allocation of government resources. The Government Finance Officers Association (GFOA) seeks to improve the usefulness of the statistical/supplemental section in the budget document. Frequent deficiencies in the statistical/supplemental section include statistics that are not tailored to the specific government type, disjointed information, lack of future oriented focus, and insufficient explanation or interpretation of data.

The National Advisory Council on State and Local Budgeting (NACSLB) Best Practices in Budgeting states that a “government should regularly collect and evaluate information about trends in community condition, the external factors affecting it, opportunities that may be available, and problems and issues that need to be addressed.” Trends should be shown on a multi-year basis, using both a historical and prospective timeframe in the statistical/supplemental section of the budget document.

Recommendation. The Government Finance Officers Association (GFOA) recommends that governments improve the quality of the statistical/supplemental section of their budget documents as follows:

Ensure Relevance of Data. Data in the statistical/supplemental section of the budget document should:

- Relate to the rest of the document.
- Fit to the specific type of government.
- Avoid excessive and unnecessary detail, such as salary ranges of each position or presenting a chart of accounts.

Organize Information By Major Category. Better organization of the statistical/supplemental section can be accomplished through division into four major categories, as appropriate.

1. *Form of Government.* The government structure is critical in shaping how budget decisions are made. The roles of elected and appointed officials should be identified. Political ramifications of elections, terms in office, or changes in administration may be noted.

2. *Geography.* The community’s location may be displayed by means of a map, which should be clearly legible. Data on climate may be presented, as appropriate.

3. *Community Profile.* A community profile may provide background concerning the setting under which the government operates. A brief timeline or short historical narrative may provide perspective on current community issues. Healthcare, transportation, education, and culture could be major elements of the profile.

4. *Demographics and Economics.* A community’s demographics often determine the type and scope of a government’s services, while economic data may provide information on resources. The CAFR’s statistical section is a valuable resource for historical demographic and economic components. However, prospective data

should also be included. Care needs to be taken to use only pertinent information from the CAFR as the budget document has a different purpose. The following tables or schedules from the CAFR statistical section may be applicable for the statistical/supplemental section of the budget document.

- Assessed value of taxable property may be shown by major component (e.g., residential, commercial).
- Principal taxpayers are typically shown using the top ten taxpayers.
- Similar to the taxpayer list, the top ten principal employers may be shown. Both public sector and private sector can be included in the employer list.
- An entity's major customer base may be shown. Examples might include a water district's customers or a profile of a typical transit rider.
- Demographic and economic statistics cover a wide range of items such as:
 - Population growth or decline directly affects the level of service required.
 - Wealth is often shown through per capita income or personal income.
 - The type of government services may be predicated to some degree on the age distribution of the community. Birthrate, mortality, median age, and school enrollment data may be presented.
 - Education level of the citizens may be presented by the highest education level achieved.
 - The number of languages spoken may be relevant, especially for a school district.
 - Trends in retail sales, home sales, employment levels, and unemployment rates are often used as a sign of economic strength.
- Appropriate comparisons of a government's own data with the data of other similar governments may be useful for purposes of financial analysis. However, care must be taken to ensure that such comparisons are valid. Using trend data for these governments rather than relying exclusively upon current-year data may further enhance comparisons with other governments.

Provide Explanations. Information in the statistical/supplemental section of the budget should be explained if the connection to the rest of the document is not apparent. The use of pictures or graphs to communicate major points is encouraged, and sources of information should be identified (if not included elsewhere in the document).

References

- GFOA Best Practice, "Recommended Budget Practices of the National Advisory Council on State and Local Budgeting (NACSLB)," 1998.
- GFOA Best Practice, "The Use of Trend Data and Comparative Data for Financial Analysis," 2003.

Approved by the GFOA's Executive Board, October 11, 2005.