Results of Early Implementation of Governmental Accounting Standards Board Statement No. 34 in 15 Ohio Public School Districts

Michael Bennett Amspaugh
Western Michigan University

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RESULTS OF EARLY IMPLEMENTATION OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 34 IN 15 OHIO PUBLIC SCHOOL DISTRICTS

by

Michael Bennett Amspaugh

A Dissertation Submitted to the Faculty of The Graduate College in partial fulfillment of the requirements for the Degree of Doctor of Public Administration School of Public Affairs and Administration Dr. Magdalena Niewiadomska-Bugaj, Advisor

Western Michigan University Kalamazoo, Michigan December 2006

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ACKNOWLEDGMENTS

I wish to thank the treasurers and former treasurers of the 15 Ohio public school districts who participated in this study. They graciously took time out of their extremely busy schedules, sometimes rescheduling interviews two or three times, to provide me information critical to this study. I also want to thank them for their candor, without which this study would have little substance.

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Acknowledgments—Continued

I want to thank my family, who gave me their loving support through this arduous process, but always reminded me that their love and support was there for me whether or not I continued my studies. I must also thank my late parents, who instilled in me, my brother, James, and sister, Molly, a respect for education and a thirst for knowledge simply for the sake of knowledge. Our parents never stopped teaching us and discussing ideas with us and never stopped reading and learning themselves, even though their paths to further education had been cut off many years before.

I also owe a debt of gratitude to the many colleagues and supervisors over the years who encouraged me in my pursuit of a doctoral degree and did what they could to see that I attained it.

Finally, I want to thank Hope Smith, my dissertation editor. She worked tirelessly and without complaint on a problematic document fraught with technical problems and careless errors. Without her professionalism and expertise I would forever be ABD.

Michael Bennett Amspaugh
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CHAPTER I

INTRODUCTION

Overview

The subject of this dissertation is the experience of finance officers of public school districts in Ohio in implementing a set of mandated changes to the annual financial reports issued by the school districts. The mandated changes, contained in Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments (1999), affect the annual financial reports of most of the 88,000 state and local governments throughout the nation. These include 14,000 autonomous "independent" public school districts, which are classified "special-purpose governments." Another 1,500 "dependent" public school districts, i.e., those that are operated as part of a general-purpose government, such as a city, must also comply with Statement No. 34 through their oversight government and, therefore, are not included in the 14,000 school public districts.

Statement No. 34, which is the most significant change in the history of governmental accounting and financial reporting in the United States, changes some basic principles that have been accounting and financial reporting requirements for state and local governments for over 70 years.
To answer the research question, "What is the experience of public school finance officers in implementing GASB Statement No. 34," finance officers from 15 public school districts were asked a series of 10 questions in telephone interviews.

Statement of the Problem

Each year, governments of the 50 states and approximately 3,000 counties, 19,000 municipalities, 17,000 towns and townships, 14,000 independent public school districts, and 35,000 special districts and other special-purpose governments nationwide are required to issue an annual financial report (Gauthier, 2001). The annual financial report presents the financial condition of the government as of the last day of its fiscal year and the operating results for the fiscal year. The annual financial report's structure is based on fund accounting, an idiosyncratic form of accounting not used in the private sector. Fund accounting has been a requirement in government for 70 years and was in use in some large cities, such as New York, for nearly two decades before that. Thus, annual financial reports have remained essentially the same for generations.

Over the years, in reaction to major events and issues, such as the insolvency of New York City during the 1970s, some changes have been made in what is accounted for and reported on. But by and large, neither governmental accounting nor annual financial reports have changed dramatically since the requirements for them were first set in the mid-1930s.

Statement No. 34 mandates a number of major changes to the annual financial report that also entail changes in the accounting procedures and recordkeeping that provide the information presented in the annual financial report. Thus, not only is the
production and presentation of the annual financial report changed by Statement No. 34, but the daily operations of the state and local government or school district may be also. Although governments and school districts had several years’ lead time before the ultimate deadline to implement Statement No. 34, they had to be successful in implementing it in the year they are required to do so. To produce an annual financial report that does not comply with Statement No. 34 places the government at risk for receiving something other than an unqualified audit opinion, which can adversely affect the government’s bond and short-term credit rating and bring adverse publicity to the government.

Some early implementers of Statement No. 34 hired various consultants and practitioners to assist them. However, as many state and local governments and school districts prepared to implement Statement No. 34, they found themselves short of the financial resources needed to hire consultants. This study touches on the role that consultants played in the implementation of Statement No. 34 in 15 Ohio public school districts in implementing Statement No. 34. However, it explores more fully the challenge of implementing the most significant change in governmental accounting and financial reporting in this nation’s history with few resources beyond those normally available to a resource-strapped school district, the same challenge that most of the nation’s 88,000 state and local governments eventually faced. In the case of one of the 15 school districts in this study, which was the first in the nation to implement Statement No. 34, it had the burden of implementation without the benefit of any other school district’s experience upon which to base its implementation plans. In the case of the other 14 school districts in the study, they had the experience of only that one or a few
other school districts upon which to base their implementation plans. This study focuses on the experiences of several Ohio public school district treasurers in implementing Statement No. 34.

Contribution to Knowledge

The implementation of Statement No. 34, the most significant change in the history of governmental accounting and financial reporting, was an historic, one-time event for state and local governments. This study documented the experience of individual public administrators who oversaw and participated in this event. It also attempts to provide feedback to GASB and others involved in shaping governmental accounting and financial reporting requirements on the strengths and weaknesses of Statement No. 34 from the perspective of public administrators who applied it. GASB clarified and expanded on Statement No. 34 when it issued two more Statements even before the 88,000 governments were required to implement Statement No. 34. The results of this study suggest the need for other changes or clarifications.

Evolution of Statement No. 34

The Governmental Accounting Standards Board (GASB), the independent, nongovernmental organization that sets generally accepted accounting principles (GAAP) for state and local governments, government-related nonprofit organizations, and public school districts in the United States, issued Statement No. 34 in June 1999. Since the 1970s, there had been dissatisfaction with the information included in the annual financial reports. Critics of annual financial reports complained that the
information they contained was incomplete, omitting things such as a government's original budget and its cost of providing programs. They also complained that information was scattered about in the report so that a meaningful analysis of a government's financial condition was difficult. Finally, they contended that the annual financial report was written in a way that made it arcane and difficult to read.

From its founding in 1984, GASB began sponsoring studies on improving governmental accounting and financial reporting. Along the way, it issued numerous new requirements in both areas. However, its ultimate goal was to issue a set of reporting standards that would make governmental annual financial report much more useful to readers.

A GASB-sponsored study identified those users, or potential users, to be (a) the investment community; (b) legislators and government officials with oversight responsibilities; and (c) citizens, including the news media (Jones, Scott, Kimbro, & Ingram, 1985).

A number of GASB appointed committees and subcommittees and research groups, comprised of members of the investment industry, governmental accounting industry, government officials, citizenry and academia, professional organizations representing all of these groups and their officials, and numerous other stakeholders, took part in the fact-finding and deliberation process to determine what the new annual financial report format should entail. GASB sponsored hearings and focus groups around the nation, and sought reports, essays, position papers, letters, and e-mails from various stakeholder groups, their professional organizations, and the public. GASB issued several exposure drafts, i.e., proposed versions of the new annual financial report
requirements, and invited comments. Based on these, the new requirements were worked and reworked to make them more acceptable to stakeholders. The issuance of Statement No. 34, initially planned for 1996, was delayed several times because of continuing debate over its requirements.

A major area of contention throughout much of the process was the accounting basis. Modified accrual accounting, i.e., the recognition of revenues in the period in which they become available and measurable and recognition of expenditures in the period in which the liability is incurred if they are measurable, had been required for funds in the governmental category since the mid-1930s. GASB proposed to make full-accrual accounting, i.e., the recognition of revenue when earned and recognition of expenses when incurred, standard for all fund accounting. This proposal to adopt the less conservative full accrual method resulted in a number of issues related to the balance sheet, which GASB could never resolve satisfactorily.

In June 1995, GASB issued a Preliminary Views document that proposed a dual perspective that kept modified accrual accounting for the governmental funds and applied full accrual accounting to government-wide financial statements, a new addition to the basic financial statements reported in the annual financial report. A version of this ultimately became a central part of Statement No. 34, but only after several years of continuing disagreements among major constituents, primarily state and local government professional organizations and the American Institute of Certified Public Accountants (AICPA).

Statement No. 34 is a 403-page pronouncement that, at various times, modifies, amends, replaces, or adds to the existing codification requirements for governmental

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accounting and financial reporting standards. GASB issued two more Statements the following year to clarify some aspects of it. Statement No. 34 has been the subject of dozens, and possibly hundreds, of seminars, workshops, and training sessions nationwide, including two nationwide teleconferences in 2000 and 2001 sponsored by the Association of Government Accountants, in which GASB officials answered questions about implementation.

An entire industry in Statement No. 34 implementation services has sprung up since 1999. Services offered by private companies include advice on what Statement No. 34 entails, identification of steps necessary to implement Statement No. 34, preparation of a Statement No. 34 annual financial report, computer software, computer retrofitting services, capital assets and infrastructure identification and valuation, and various Statement No. 34 training sessions. A search with several Internet search engines turned up more than 10,000 entries related to Statement No. 34. Many state governments have Worldwide Websites on which they have posted state requirements, guidance, and implementation examples relating to Statement No. 34 for governments and school districts within their states.

One facet of Statement No. 34 that has been the focus of many seminars and several computer software programs is capital asset management. Statement No. 34 requires, in one form or another, reporting the value of capital assets and infrastructure in the annual financial report. Officials of various state and local governments reported that they found that their governments lacked information about such things as the age, condition, life expectancy, and original construction and reconstruction costs of their
streets and highways; and the age, construction cost, existence, and location of water
and sewer lines.

Some governments have used the Statement No. 34 requirements as a catalyst to
gather and maintain extremely detailed records of capital assets and infrastructure, their
condition, and a comparison between what is required to be spent to maintain them in
that condition and what was actually spent. Other governments have used a simple
average cost or life-expectancy estimate to calculate the required information. In nearly
all cases, however, the accounting and finance officials and construction and maintenance
officials have had to gain some level of knowledge of each other's functions and
communicate information with each other.

The deadline for implementing Statement No. 34 was phased in over a 3-year
period, depending on a government's or school district's total annual revenues for its
first fiscal year ending after June 15, 1999. Those with revenues of $100 million or more
were required to implement Statement No. 34 in their annual financial report for their
first fiscal year beginning after June 15, 2001. Those with revenues of at least $10 million
but less than $100 million were required to implement Statement No. 34 in their annual
financial report for their first fiscal year beginning after June 15, 2002. Those with total
revenues of less than $10 million were required to implement Statement No. 34 in their

GASB officials have indicated that they are interested in studies about the
implementation of Statement No. 34 and any other aspects of it. Although
implementation was a one-time occurrence for each government and school district, the
insight gained from going through the transition, as documented in this study, is likely to
raise questions about Statement No. 34 that may eventually result in some modifications of it.

Organization of This Study

Chapter II discusses the evolution of governmental accounting and financial reporting, traditional fund accounting and annual financial reports, and the changes to governmental accounting and annual financial reports under Statement No. 34. Chapter III reviews the literature and studies that led up to Statement No. 34. Chapter IV contains the methodology for this study. Chapter V contains background information on the treasurers and school district in the study. Chapter VI contains the analysis and results of the study. Chapter VII contains the summary and conclusions. The bibliography contains the sources of information used to write this dissertation. Appendix A contains the questions that the study subjects were asked. Appendix B contains the names of the school districts that participated in the study and their locations.
CHAPTER II

CHANGES IN GOVERNMENTAL ACCOUNTING AND FINANCIAL REPORTING UNDER GASB STATEMENT NO. 34

The changes in state and local annual financial reports required by Statement No. 34 are many. Table 1 summarizes the major changes. That is followed by a discussion of the changes, presented as they apply to public school districts.

As in the traditional annual financial report, under Statement No. 34, the annual financial report is comprised of the introductory, financial, and statistical sections. The introductory and statistical sections remain relatively the same under Statement No. 34, but the financial section changes significantly (Gauthier, 2001).

The financial section is comprised of the Management Discussion and Analysis (MD&A) introduction, Government-wide (or School District-wide) Financial Statements, the Fund Financial Statements, the Notes to the Financial Statements, Additional Required Supplementary Information, and any additional information not required by GAAP (GASB, 1999).

GASB describes the MD&A as an introduction to the Basic Financial Statements. The MD&A is an overview and analysis, prepared by the school district’s finance officer, of the information in the district’s financial statements. GASB envisioned the MD&A as an opportunity for the district’s financial managers to discuss the district’s financial situation. Although similarities exist between the letter of transmittal and the MD&A,

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Table 1

**GASB Statement No. 34 Changes**

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<thead>
<tr>
<th>Before Statement No. 34</th>
<th>Under Statement No. 34</th>
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<td><strong>Financial Section:</strong></td>
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<tr>
<td>Management Discussion &amp; Analysis (MD&amp;A)</td>
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<td><strong>Basic Financial Statements:</strong></td>
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<td>I. Government-wide Financial Statements:</td>
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<td>A. Statement of Net Assets (full accrual basis)</td>
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<td>B. Statement of Activities (full accrual basis)</td>
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<td><strong>Fund Financial Statements:</strong></td>
<td><strong>Fund Financial Statements:</strong></td>
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<td>A. Governmental Funds (all funds must be reported individually)</td>
<td>A. Governmental Funds (Minor funds may be aggregated with other funds for reporting purposes)</td>
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<td>1. General Fund (modified accrual basis)</td>
<td>1. General Fund (modified accrual basis)</td>
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<td>2. Special Revenue Fund (modified accrual basis)</td>
<td>2. Special Revenue Fund (modified accrual basis)</td>
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<td>4. Debt Service Fund (modified accrual basis)</td>
<td>4. Debt Service Fund (modified accrual basis)</td>
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<td>5. Permanent Funds (modified accrual basis)</td>
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<td>B. Proprietary Funds (full accrual basis)</td>
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<td>C. Fiduciary Funds</td>
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<td>a. Expendable (modified accrual basis)</td>
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GASB Statement No. 34 Changes

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<td><strong>E. Required Supplementary Information:</strong></td>
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<tr>
<td>1. Original budget included along with final adopted budget</td>
<td></td>
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<tr>
<td>2. Reconciliation between Budget Comparison Schedule and government-wide financial statements if budget basis is not full accrual accounting</td>
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the MD&A is specific as to permissible subject matter and covers four broad reporting areas:

- Conceptual information about the district’s financial statements.
- An analysis of the financial information in the statements.
- Activities during the year regarding capital assets and long-term debts.
- Currently known facts bearing on the future finances of the school district. (GASB, 1999)

GASB states that the MD&A should provide an objective and easily readable analysis of the government’s financial activities based on currently known facts, decisions, or conditions. The MD&A provides financial managers with the opportunity to present both a short-term and long-term analysis of the government’s activities. The presentation should discuss the current year results in comparison with the prior year, with emphasis on the current year. The MD&A is the section of the annual financial report where comparisons with the prior year are addressed. GASB states that the fact-based analysis should discuss the positive and negative aspects of the comparison with
the prior year. GASB encourages the use of charts, graphs, and tables to enhance the understandability of the information conveyed (GASB, 1999).

GASB states that it is its intention to avoid boilerplate discussions and the MD&A should report only the most relevant information. Statement No. 34 requires that the MD&A present:

- A discussion of the Basic Financial Statements.
- Prior year comparisons focusing on total assets and total liabilities, with disclosures addressing short-term versus long-term elements.
- Prior year comparisons of program revenues, general revenues, and total revenues.
- Prior year comparisons of program expenses by function, at a minimum.
- Prior year comparisons of total expenses, items, transfers, change in net assets, and ending net assets.
- An analysis of the district’s overall financial position and results of operations.
- An analysis of balances and transactions of individual funds.
- An analysis of significant capital asset and long-term debt activity during the year.
- A description of currently known facts, decisions, or conditions that are expected to have a significant effect on future financial position or results of operations. (GASB, 1999)

The items included in the MD&A are limited to those specified by Statement No. 34. In the first year of implementation, school districts must restate or record their opening balances, which are the prior year’s ending balances, within a conversion worksheet that converts fund statements to district-wide statements (GASB, 1999).
Basic Financial Statements

The Basic Financial Statements include the District-wide Financial Statements, which are new requirements to the annual financial report, and the Fund Financial Statements, which in the traditional annual financial report were known as the General Purpose Financial Statements. The traditional combined financial statements and the combining and individual fund and account group statements and schedules are eliminated under Statement No. 34 (GASB, 1999).

The district-wide financial statements are designed to present better information about the operational accountability of school district operations, except fiduciary activities. These financial statements include both governmental and business-type activities (i.e., governmental and proprietary funds, but not fiduciary funds), as well as non-fiduciary component units, e.g., a semi-autonomous adult education program. Fiduciary fund assets are not included in district-wide financial statements because fiduciary assets are not available for use to finance district activities (GASB, 1999).

The district-wide statements use full-accrual accounting and an economic resources measurement focus. Capital assets and long-term debt are included in the district-wide statements (GASB, 1999).

The district-wide financial statements include a Statement of Net Assets and a Statement of Activities. The Statement of Net Assets, which is the basic district-wide statement of financial position, compares the assets a school district owns with the liabilities that it owes as of the statement date. It uses a net asset format (i.e., assets − liabilities = net assets) rather than the balance sheet format (i.e., assets = liabilities + fund
equity) used in the traditional annual financial report. The "governmental activities" column reports all assets and liabilities related to governmental fund activities, including assets and liabilities that were formerly reported in the General Fixed Assets Account Group and the General Long Term Debt Account Group in the traditional annual financial report. Both accounts have been eliminated under GASB Statement No. 34 (Association of Government Accountants and National Association of State Auditors, Comptrollers and Treasurers, 2000).

The Statement of Net Assets is intended to provide the annual financial report reader easy access to information on:

- What kind of debts the school district owes, the kinds of assets it owns, and the nature of the net assets that remain.

- The long-lived capital assets, including infrastructure, e.g., sidewalks. For school districts using the modified approach to infrastructure reporting, the reader can also learn about the physical condition of the infrastructure assets and efforts to maintain them.

- The school district's ability to cover its costs and continue financing services in the future.

- How much of the school district's net assets can be used to provide for new services or start new programs, compared with how much is invested in capital assets or restricted to specific purposes. (Association of Government Accountants and National Association of State Auditors, Comptrollers and Treasurers, 2000)

The Statement of Activities, which is the operating statement, uses a net cost format. The statement presents revenue, fees, grants, and related contributions for each school district program in columns by function to the right of each expense category. Thus, the statement clearly identifies any shortfall between program total costs and funding. General revenue used to offset the shortfall, such as property tax revenue, is
listed at the bottom of the statement, thus clearly indicating the amount and source of a program's subsidy (GASB, 1999).

The Statement of Activities reports a district's expenses, revenues, and other changes in its net assets during the next year, as well as net operating results. The Statement of Activities displays the school district's expenses at the same level of detail as in the governmental funds statements. Statement No. 34's Paragraph 41 states that "governments should report all expenses by function, except for those that meet the definitions of special or extraordinary items" (GASB, 1999).

Under Statement No. 34, the definitions of "expenses" and "program revenues" have changed. Statement No. 34 says that direct expenses are those that are associated with a service, program or department, and, as such, are clearly identifiable to a particular function. This means that most school districts must report direct expenses for each function. Depreciation expenses for shared assets might not be allocated to a function because of inefficiencies in the allocation process. This portion must clearly be listed as "unallocated depreciation." Depreciation expenses are the only expenses which Statement No. 34 allows to be categorized as an "unallocated expense" (Association of Government Accountants and National Association of State Auditors, Comptrollers and Treasurers, 2000).

Statement No. 34 requires using depreciation or one of several other approved methods of reporting the declining value of capital assets (GASB, 1999). This was not done prior to Statement No. 34.

Paragraph 42 of Statement No. 34 says that items, such as interest expense, overhead for administration, and support services, may be reported as a direct expense,
rather than an indirect expense, which could be allocated to the other functions (GASB, 1999). Statement No. 34 does not permit these items to be reported as unallocated expenses. These expenses, allocated by function, are then compared directly with program revenues (Association of Government Accountants and National Association of State Auditors, Comptrollers and Treasurers, 2000).

These issues affect the preparation of the Statement of Activities. Also impacted are the definitions and classifications of revenues, as stated in Statement No. 34. Program revenue is that received from persons who purchase, use, or directly benefit from the goods or services of a program. It also includes revenue received from parties outside the reporting school district’s citizenry, such as other governments and nongovernmental entities or persons, if the revenue is restricted to a specific program. Revenue not restricted to a specific program is considered general revenue. General revenue also includes that revenue obtained from the school district’s taxpayers, whether or not they benefit from a program, and revenue from the school district itself, such as through investments (Association of Government Accountants and National Association of State Auditors, Comptrollers and Treasurers, 2000).

Program revenues are presented among three classifications. The first type is revenue produced by activity fees and charges. The second is revenue received as operating grants and contributions. The third type is revenue received as contributions specifically for that activity and capital grants (GASB, 1999).

The Statement of Activities is intended to provide the reader easy access to information on:

- The source of the school district’s resources and how it used them.
• The total, rather than the direct, cost to the school district of providing various programs and services.

• The extent to which various school district programs and services cover their own costs through user fees, charges, and grants.

• The extent to which school district program and service costs that are not covered by user fees, charges, and grants are financed with tax revenues, other general revenues, and resources accumulated from previous years.

• Any unusual costs that the school district incurred and any unique sources from which it received funding.

• The sufficiency of resources raised during the year to cover all, rather than just direct, costs of governmental and business-like activities, and, if not, the magnitude of the shortfall.

• The improving or declining fiscal condition of the school district.  
  (Association of Government Accountants and National Association of State Auditors, Comptrollers and Treasurers, 2000)

The Basic Financial Statements contain the fund financial statements, which were also in the annual financial report previously. They are at the next level below the district-wide financial statements and are intended to show the school district's financial accountability by presenting detailed financial information about the funds. There are 11 fund types under Statement No. 34. As in the past, fund types are in three categories. The governmental funds are typically the school district's basic programs and services, generally tax-supported. They generally are the same district activities reported on in the district-wide financial statements (GASB, 1999).

There are governmental funds—the general (or operating) fund, special revenue funds, debt service funds, capital projects funds, and permanent funds. With the exception of the permanent fund, these are the same governmental funds as in the past. The permanent fund is used to report resources legally restricted to the extent that only
earnings, and not principal, may be used for purposes that support the reporting government's programs that benefit of the government or the public. An example would be an endowment for the school library. Previously, a nonexpendable (restricted) trust fund under the fiduciary category of funds would have been accounted for the library endowment. On the other hand, if the school district holds such resources for the benefit of individuals, private organizations, or other schools or governments, the resources are accounted for in a private purpose trust fund, which is under the fiduciary fund category (Association of Government Accountants and National Association of State Auditors, Comptrollers and Treasurers, 2000).

As in the past, governmental fund statements are reported on the modified-accrual basis using a current financial resources focus. Therefore, revenues are recognized in the period in which they become available and measurable, and expenditures are recognized at the time a liability is incurred. Also, only those transactions and events of the period that have increased or decreased the resources available in the near future are reported on the governmental fund financial statements (GASB, 1999).

"Major" funds, rather than fund types, are the focus for the governmental fund group in fund financial statements under Statement No. 34. Financial information for non-major funds may be reported "in aggregate" by fund categories. Thus, the financial information for two funds can be reported together if neither is major, or if one fund is major and the other is not, reported for the major fund separately and for the two funds together. Information for each major fund must be reported, and information for an aggregate including all the minor funds must be reported, but it is left to the discretion of
the individual school district whether it reports information for any or all of the non-major funds (GASB, 1999).

Statement No. 34 requires that a school district's general or operating fund be considered a major fund and, thus, be reported on separately. Also, any fund that school district officials believe is particularly important to financial statement users is considered a major fund. Other funds are considered major if they have at least 10% of the total assets, liabilities, revenues, or expenditures/expenses of all funds within its category, and the fund has at least 5% of the total of the governmental and enterprise funds combined (GASB, 1999).

A reconciliation is required between government-wide full-accrual accounting basis and fund-based modified-accrual accounting basis governmental funds financial statements on the face of the fund-based statements (GASB, 1999).

The enterprise and internal service funds are under the proprietary fund category. Both existed previously and were included in the annual financial report. Statement No. 34 requires that activities be reported as enterprise funds if (a) user fee revenues are restricted to pay debt service, (b) the school district adopts a law to recover costs with fees, or (c) management sets a policy to recover operating and capital (depreciation or debt service) costs through fees. Under Statement No. 34, if it is the school district's policy to recover costs through fees, then the activity for which the fee is collected is in the enterprise fund category. In addition, debt service is included in the definition of capital cost recovery, and capital assets are an integral part of the financial statements (GASB, 1999).
The fiduciary group sees the largest changes in fund statement reporting under Statement No. 34. The pension (and other employee benefit) trust fund, investment trust fund, and agency fund were retained, but the pension fund is expanded to include other employee benefits. The private-purpose trust fund has been added to account for trust arrangements not reported in pension (and other employee benefit) or private investment trust funds. The permanent fund in the governmental funds group has replaced the nonexpendable (GASB, 1999).

Statement No. 34 eliminated the expendable trust fund and its reporting functions are split among other funds. State unemployment compensation benefit plans, for example, are reported in the enterprise fund; escheat assets in the private-purpose trust fund; and Internal Revenue Code Section 457 deferred compensation plans in the pension (and other employee benefit) trust fund. All of the trust funds, as well the agency fund, are accounted for on the full accrual basis. An economic resources measurement focus is used for the trust funds (GASB, 1999).

Next are the Notes to the Financial Statements, followed by the Required Supplementary Information (RSI) – Part II. A budgetary comparison may be reported as part of the RSI. The original budget is the budget that has been certified for taxes. The original budget, the final revised budget, and actual revenues and expenditures are all required to be included in the budget-versus-actual comparison. If the budget basis is not full accrual accounting, a reconciliation is required between the Budget Comparison Schedule and the District-wide Financial Statements. These are followed by the notes to the required supplementary information. Other supplementary information completes the Financial Section. This section includes school-level schedules and special revenue
schedules. The Capital Project Fund schedules, Enterprise Fund schedules, Internal Service Fund schedules, and Fiduciary Fund schedules also appear in the other supplementary information section (GASB, 1999).

There may be five possible financial statement reconciliations under Statement No. 34. The amounts reported in the government-wide financial statements found at the bottom of the fund statements or in an accompanying schedule may not agree with the fund financial statements (Association of Government Accountants and National Association of State Auditors, Comptrollers and Treasurers, 2000).
Beginning in the 1970s, there was growing interest in whom governmental financial statements and reporting served, what the users did with annual financial reports, and what could be done to make them more useful to the users. Until the 1970s, governmental accounting and reporting received little attention from those not involved with it. But with the fiscal crisis in New York City in the mid-1970s, the popular press and the public became interested in both very quickly. How was it possible that the world’s most high-profile city could become insolvent without any apparent warning was the recurring theme of news stories in the aftermath of the city’s default. In the months and years that followed, several other major American cities were revealed to have serious financial problems and crumbling infrastructures that needed major infusions of capital, which the cities’ annual financial reports had not revealed. The fact that the citizenry, many persons in the investment community, and sometimes even government officials were unaware of the impending financial crises in these cities, despite the fact that often the crises had been building for years, raised serious questions about the adequacy of governmental accounting and financial reporting practices.

From its founding in 1984, the Governmental Accounting and Standards Board (GASB) sponsored a number of studies aimed at identifying ways in which to improve
governmental accounting and financial reporting. It used the results of these studies as a
starting point for proposing changes in accounting and reporting principles, many of
which were eventually enacted. Over time, the evidence gathered from various studies
served as the basis for the largest set of changes in the history of American governmental
accounting and financial reporting, Statement No. 34.

Users of Annual Financial Reports

Over the years, various studies have attempted to identify the users of annual
financial reports. The lists have varied in the number and specific names of user groups,
but essentially they have been the same. They have generally included some combination
of the following: investors and creditors, legislative and governing bodies, government
management, other governments, citizens, and public interest groups.

Anthony (1978) suggested the following list of users of non-business financial
reports in a study commissioned by the Financial Accounting Standards Board (FASB):
investors and creditors, resource providers, governing bodies, oversight bodies, and
constituents. Anthony said that the resource provider group for municipalities includes
other levels of government—county, state, and federal. The constituent group includes
taxpayers and members of the general public with a personal interest in retaining or
replacing incumbents in office. Anthony added that the list of annual financial report
users could be expanded, but it became more difficult to analyze users’ information
needs as the list gets larger. Thus, he favored focusing on a few categories of users with
the idea that if their needs were met, the needs of other users would likely be met as
well. He noted, however, that it probably was not possible to validate any list of users, no matter whom the list included (Anthony, 1978).

GASB commissioned a study by Jones, Scott, Kimbro, and Ingram (1985) to determine the needs of users of governmental financial reports. To begin their study, Jones et al. compiled a list of users identified by various previous studies. They decided to exclude government managers from the list of users, reasoning that annual financial reports are aimed at persons with limited access to information about the entity. Like Anthony, Jones et al. believed that the list of users should be small. So, they limited their list to municipal investors and creditors, legislative and oversight officials, and citizens. GASB accepted these three groups as the primary users of annual financial reports, and it was with these three groups in mind that GASB formulated Statement No. 34 (Jones et al., 1985).

Uses of Annual Financial Reports

The areas of interest in an annual financial report vary among the three user groups. Investors and creditors are concerned with cash flow, assets, and the ability of the government to repay its debts. Legislative bodies, on the other hand, prescribe how a government should spend its money, and therefore they are interested in determining compliance with their directives. Citizens, who have an involuntary stake in government through taxes and fees, want to know whether the government is operating efficiently and effectively.
Anthony (1978) said that non-business financial statements are used by their readers to determine financial viability, fiscal compliance, management performance, and cost of services provided.

Jones et al. (1985), in their GASB-sponsored study, focused on the interaction of uses and users. Investors and creditors, the study found, have a single focus when reading government financial statements, i.e., to determine the ability of a government to repay its debt. Legislative and oversight officials, on the other hand, focus on several things when they read an annual financial report. These things are: evaluating executive branch funding and spending proposals by comparing current results with the results of previous years or of other governmental units, determining compliance with the budget and other financial mandates, and monitoring fund activity and financial position. The broadest focus is that of the citizenry. Their focus is on evaluating government efficiency and effectiveness, comparing current results with previous years, assessing financial operations and conditions, determining compliance with the budget, and advocating certain programs or actions.

Literature Supporting Changes in the Traditional Annual Financial Report Model

The movement to change governmental accounting and financial reporting gained momentum during the 1970s, perhaps as a result of several studies.

Ernst and Whinney (1979), one of the “Big Eight” (now “Big Four”) accounting firms, did a study in which it reviewed 100 municipal annual reports. It found that the financial information reported by cities was deficient because of a low level of compliance with generally accepted accounting principles (GAAP) and inadequacies in
the financial reporting formats and measurement principles that were government GAAP. The study said that improvement was needed to allow government to compete in the capital markets, to provide timely disclosure of relevant information, to provide accurate data the government officials could use in decision-making, and to gain and maintain public confidence. The study concluded that the accounting firm supported the idea of research and experimentation with new forms of municipal financial reporting.

Another Big Eight (now Big Four) accounting firm, Coopers and Lybrand (1976), together with the University of Michigan, studied 46 American cities to determine the disclosure practices of municipalities. They concluded that taxpayers and security investors need "a clear overview of the city's financial position, expenses incurred to provide services, changes in municipal equity and the flow of financial resources" (p. 10). These needs requirements are similar to those of the investors and creditors of a corporate enterprise, they said. The study said these needs were not met when the information is buried in "a document comprising hundreds of pages of detailed statistics" (p. 10). To punctuate the point, the study said that the annual financial report of a medium-sized city was more complicated in its makeup and more difficult to understand than the annual financial report of the nation's largest company—General Motors Corporation (Coopers & Lybrand, 1976).

Another study, Davidson, Green, Hellerstein, Mandansky, and Weil (1977), said that municipal statements should be understood by the largest group of potential users of municipal financial statements, which is the general public. The study concluded that the public would be more likely to understand government financial statements if they were
written using the same type of language, presented in the same general format, and used the same accounting concepts that business does (Davidson et al., 1977).

To achieve this, the study suggested municipal government reports should consist of three basic statements—a statement of financial positions, a statement of changes in financial position, and a statement of operations and changes in municipal equity, all presented on a consolidated basis using full accrual accounting. Any overlapping jurisdictions not included in the consolidation should be described (Davidson et al., 1977). Statement No. 34, issued 22 years after the study, requires a Statement of Net Assets and Statement of Activities presented on a government-wide basis using full accrual accounting. The study, obviously, was prophetic.

Some cities issued consolidated reports on the city as a whole, and the General Accounting Office (GAO) revised federal practice in 1964 to make federal accounting basically consistent with business accounting.

The American Accounting Association (AAA) Committee on Accounting for Not-for-Profit Organizations recommended that consolidated statements be provided as supplemental information. Consolidated statements present an overview, and in many circumstances, proper decisions cannot be made unless an overall view is presented (American Accounting Association, 1971). This recommendation was reiterated by AAA Committees in 1974 (AAA, 1974) and 1975 (AAA, 1975).

Literature Supporting Retention of the Traditional Annual Financial Report Model

Despite the call for changes in governmental accounting and financial reporting, there were those who defended the status quo. Zimmerman (1977), for example, said
that there was not much demand for the corporate-type municipal statements, despite the
calls by reformers for that very thing. He claimed that "voters impose explicit rules and
regulations (budgets, formal legislative procedures, etc.) to constrain their public
officials' behavior. Fund accounting provides information regarding the public agents'
compliance with some of these rules" (p. 110).

Studies Regarding Format and Content

To determine the types of information important to municipal bonds investors
and underwriters, Boyett and Giroux (1978) surveyed bankers to determine to what extent they relied on financial statements. The bankers said that information on debt is very important, but information on fixed assets is of limited use. The bankers perceived comparisons of budget to actual as inadequate because amendments to the budget are not disclosed. A majority of bankers in the study said that financial statements are useful; however, less than 20% said that financial statements are among their primary sources of information. The bankers said that the prospectus and the bond rating are more useful than financial statements. To become more useful, financial statements would need to be redesigned, and possibly expanded, so that they contained more relevant information in a more usable format, the study said. It noted that the bankers said that the most important information they needed was either missing or presented in a problematic fashion (Boyett & Giroux, 1978).

Maschmeyer and Van Daniker (1979) surveyed representatives from the executive and legislative branches of government, the financial community, and various public interest groups to determine the usefulness of municipal financial statements and
to examine the concerns about the current reporting practice. The study found that the financial community was the group least satisfied with municipal statements. It expressed concerns about the ease of reading the annual report, comprehensibility of the financial data, and timeliness. All the groups rated the balance sheet as the least useful statement in the financial report.

Patton (1975) investigated the appropriate level of information aggregation in municipal financial reports in his study. He used two groups for subjects—chief financial officers of a number of American cities and associate members of the Municipal Finance Officers Association (MFOA). Patton asked the subjects to predict interest rates for general obligation bonds for four hypothetical cities. He gave half of each group fund-by-fund financial statements and half consolidated statements. Both sets of financial statements used traditional modified-accrual basis of accounting and did not include depreciation. City size and financial condition were significant factors in interest rate predictions, but the report type was not significant (Patton, 1975).

He also conducted a separate survey in which members of MFOA were asked about the usefulness of municipal accounting data. The subjects were not given sample financial statements. A majority of respondents rejected the idea of replacing the traditional fund-by-fund statements with consolidated statements, but said that consolidated statements provided as supplemental information would be useful. A majority also said that because users have various needs and different levels of sophistication. The most common suggestions were that municipal statements should be more usable by laymen and more consistent. Only one third of the respondents thought that depreciation of fixed assets served a useful purpose (Patton, 1975).
Howard (1978) performed a variation of Patton's study by using financial analysts, rather than MFOA members, as subjects, providing the analysts with supplementary information in addition to the information Patton had used, and did not mail the survey. Instead, Howard visited each of his subjects, explained the directions, and made arrangements to pick up the materials. Before the subjects analyzed the financial statements of the city, they were presented selected descriptive information about the city and the transmittal letter accompanying the financial statements and asked to predict the interest rate the city would have to pay on general obligation bonds and indicate their confidence in their prediction. The style and information content of the transmittal letters, which differed for each hypothetical city, were based on actual transmittal letters to make them more realistic (Howard, 1978).

After making the initial judgment on the projected interest rate, the subjects studied the financial statements of each city, which were those constructed for and used by Patton (1975) in his study (Howard, 1978). Each subject received either fund-by-fund statements or consolidated statements (Howard, 1978). None of the statements was altered to include notes.

Like Patton (1975), Howard (1978) concluded that the wealth and size of a city affected the perceptions users have of a city's financial strength as reflected in the interest rate prediction, while the format of the financial statements did not. In fact, the financial statements did not affect the original prediction made from the descriptive information, but did affect the confidence users had in their predictions.

Raman (1979) argued that because welfare economics holds that individual preferences are important, accounting policy makers should consider individual
preferences when choosing between accounting alternatives. Therefore, because bond analysts are the external users most knowledgeable about municipal financial statements, “financial reports should be constructed so as to provide the information that the analyst needs” (Raman, 1979, p. 131).

To determine the preferences of this group, Raman mailed a questionnaire to municipal bond analysts at banks and brokerage houses. Raman asked them to indicate, for 10 potential changes in traditional format, the degree of improvement that would occur if the item was (a) provided in addition to the traditional format, or (b) was provided in place of the current format. No statements were included with the questionnaire. Raman concluded that

The results of data analyses suggests [sic] that a consensus does exist in favor of change on many of the elements (items) that comprise a shift to “commercial accounting principles.” Consolidated statements in which the restricted funds are segregated from the unrestricted funds are favored by all the subject groups on a supplemental basis, and by the underwriters and portfolio managers on a primary basis. All the groups appear to be unanimous in favoring a shift to measurement focus to “expense” on both primary and supplemental statements. . . . (Raman, 1979, p. ix)

Weis (1979) contrasted the responses of master of business administration (MBA) students and commercial loan officers in his study of college financial reporting. Half of each group was given 2 years of conventional, fund-by-fund statements for a single, hypothetical university. The remainder was given the same statements supplemented by organization-wide, across-fund consolidations. He was interested in the subjects’ perception of the trend of performance and relative performance. Approximately 75% of the MBAs with fund-by-fund statements thought performance had improved over the 2 years and that the second year was substantially better than the
first year. Actually, they were fooled by a transfer in the second year which increased the fund balance in the current fund. In reality, the college was suffering severe financial distress, and the situation was more precarious in the second year. The financial loan officers were more accurate than the students at judging the condition of the university. However, those loan officers who received the supplemental consolidated information performed significantly better than loan officers who received just the fund-by-fund statements. Weis concluded that users need and desire a measure of performance for the organization as a whole, which is not provided by traditional statements.

Much of the research on municipal reporting during the 1970s and early 1980s focused on the needs of the investors and creditors. Therefore, Gaffney (1984) chose to investigate the perceived usefulness of different reporting formats to members of citizen's organizations. Individual citizens may have received little benefit in relation to the cost of using municipal reports. However, once citizens organize, the possibility of successful, concerted action meant that the benefits of using municipal information increased while the costs of processing it decreased, according to Gaffney.

In the study (Gaffney, 1984), subjects were asked to select up to five issues that were very important to their group from a list of issues that had been developed from the literature and interviews. The perceived usefulness of the hypothetical, consolidated, or fund-by-fund financial reports of a county government in providing information on the issues important to the group members was measured. This instrument required that subjects respond to a series of six questions in relation to a particular issue. The 58 subjects in Gaffney's study answered the six questions for each of the issues that they had cited as important to their group.
Although there were only two issues selected by the study subjects as being important for which report format proved significant—the effectiveness of the county educational system and capital improvement projects—these issues did account for 55% of operating funds expended in the hypothetical statements supplied (Gaffney, 1984).

Gaffney (1984) concluded that the perceived usefulness of the different report formats depended on the issue that the user was trying to evaluate. However, the overall usefulness and importance of the reports to members of the citizen organizations was quite low. She hypothesized that this may be because group members had to direct their energy toward the budget process, not the financial reporting process, if their organization wanted to affect government policy (Gaffney, 1984).

Daniels (1988) investigated the effects of two different financial statement formats—fund-by-fund and consolidated—on the perceived adequacy of information, the best location for information, the decision accuracy of the statement users, and the usefulness of the statements.

All three user groups identified by GASB—the investment community, legislative and oversight officials, and citizens—were represented. The subjects were given the financial statements from two similar-sized Connecticut cities that had different bond ratings in one of the two formats along with the survey instrument, which they completed (Daniels, 1988).

Daniels (1988) found that format was important in both the perception of information adequacy and the usefulness of statements only to the legislative/oversight group. The legislative/oversight group indicated that the cost of services was one of the most useful types of information for them. Daniels found that this group's perception
was that there was more adequate information on cost of services in the consolidated financial statements. This group also judged the overall usefulness of the consolidated financial statements to be greater (Daniels, 1988).

Daniels (1988) also found that format had no effect on which part of the financial statement that subjects in any of the groups used to assess the adequacy of information. If subjects believed, for example, that the comparison of budget to actual revenues and experiences was the best statement to use to assess compliance with fiscal mandates, they were consistent in that belief, regardless of the format they received, Daniels reported. There was some greater use of the balance sheet to assess information on viability by the subjects receiving the consolidated format, which paralleled a finding by Weis (1979). However, the difference in use was not enough to be considered significant (Daniels, 1988).

Format also had no effect on the accuracy of ranking decisions, Daniels (1988) found. Subjects, regardless of format and regardless of user group, were equally accurate in ranking the two Connecticut cities in terms of financial condition. About two thirds of each user group chose the city with the better bond rating as the financially stronger one. The two cities had the same population base, so size was not a variable of interest in this study as it was in the Patton (1975) and Howard (1978) studies. The cities differed, however, in bond rating (Aaa vs. Baa), pension funding (actuarially based vs. pay-as-you-go), and audit opinion (unqualified vs. qualified). However, one third of the study subjects did not correctly identify the city that was in better financial condition, with the failure rate being approximately equal among subjects who received the fund-by-fund
financial statements with those who received the consolidated financial statements (Daniels, 1988).

Daniels (1988) found that the legislative and oversight group wanted: (a) financial statements that compared budget to actual finances for purposes of determining compliance, (b) a list of the largest taxpayers and tax assessments to determine the government’s viability, (c) five-year trend information to determine the government’s performance, and (d) detailed information on spending to determine the cost of the government. As noted earlier, this was the only group to which format mattered; it gave fund-by-fund statements a low ranking in adequately presenting information on the cost of services (Daniels, 1988).

The investor/creditor group wanted information in two areas—the list of large taxpayers and tax assessments to determine government viability and five-year trend information to determine government performance. Citizens wanted information in each of four areas, but wanted it presented as a written summary that presented all of the information, particularly the cost of services (Daniels, 1988).

All groups rated information usefulness higher than information adequacy for the annual financial reports in both formats (Daniels, 1988).

Daniels (1988) also found that the three user groups differed significantly in (a) their familiarity with municipal financial statements, (b) preference for certain types of information, (c) assessments of whether the information in the statements is adequate, and (d) belief that the statements were useful and necessary.

The investor/creditor group rated themselves as the most familiar with municipal financial statements, and citizens considered themselves the least familiar. The
investor/creditor group focused on information on viability and performance. The legislative/oversight officials have a broader focus, i.e., they are most interested in compliance with laws and cost of services, though they also have an interest in performance and viability. Daniels noted that fund-by-fund statements provide detail on the spending for just the current year, whereas the consolidated statements used in the study provided cost-of-service detail for two years, thus allowing the legislative/oversight officials to compare the current results with those of the previous year. The consolidated statements, therefore, met at least one of the legislative/oversight group’s information needs better than fund-by-fund statements. Citizens, the study found, were interested in information on cost of services. They had some interest in performance viability, and less interest in compliance (Daniels, 1988).

Jones et al. (1985) credited citizens with more diverse information needs than the other two user groups, though Daniels’ (1988) study suggested that all but the cost of services is information of secondary importance to citizens. The Daniels study also found that the three groups believed that the information contained in the annual financial reports was necessary but insufficient to evaluate the financial condition of the municipality.

In a GASB-sponsored study, Hay (1988) reported that a group of 26 persons whose careers required them to be familiar with governmental financial reports indicated that they wanted a wide range of additional information related to financial statements, including:

- Events and actions that may have a material effect on the financial data of years following the balance sheet date, such as events of noncompliance, contingencies and events presaging financial stress.
• Material differences between the original and final budget and between budget financial information and GAAP reporting financial information.

• Expenditures/expenses for five years for each major fund and each significant function, program, or category therein, and revenues for the current year and four preceding years, including property tax rates compared with statutory maximums, amounts levied, collections as a percentage of amounts levied, delinquencies, sale tax rates and collections, income tax rates and collections, similar data for any other revenue sources, and notes on any threats of material loss of any revenue stream.

• Short-term borrowings and repayments during the year, restrictions on investments set by state law or local ordinances, a brief statement of the investment policies of the entity, a summary of investment activity during the year, receivables activity during the year, the age and likelihood of collecting of receivables, the allowance for uncollectibles, and unusual or significant events related to short-term debt. (Hay, 1988)

In another GASB-sponsored study (Ingram & Robbins, 1987), it was found that the percentage of local governments and school districts using reporting practices considered to be useful by external users, but not required by generally accepted accounting principles (GAAP), was low relative to those items required by GAAP. The study, which used a population-based stratified random sample based on U.S. Census Bureau data, elicited survey responses from 352 cities, 86 counties, and 254 school districts nationwide. The survey instrument listed the 43 financial reporting practices most important to external users. Survey subjects were asked which of these practices had been used in the latest annual financial report issued by the local government or school district (Ingram & Robbins, 1987).

A large percentage of the survey respondents perceived the reporting items included in their annual reports as useful to their governments or school districts. Cost and difficulty in providing the data were identified as the reasons that certain reporting practices were not being used. The study indicated that more local governments and
school districts were attempting to comply with GAAP than previously. Also, the study determined that more governments were being required to comply with GAAP by other government levels (e.g., a state requiring its cities to comply) and more of them were being audited for conformity with GAAP than previously. The most common major reporting deficiency among governments and school districts that resulted in them failing to receive an unqualified auditor's opinion was insufficient fixed asset reporting (Ingram & Robbins, 1987).

Another GASB-sponsored study (Wilson, 1990) found that users, preparers, and attesters of financial reports, as well as academicians, strongly favored reporting governmental-type and business-type transactions in separate columns in financial statements because, the study subjects said, they viewed the transactions as being qualitatively different in their characteristics. Among governmental-type activities, all of these groups also favored reporting operating activities and capital-related activities in different columns. Thus, if fiduciary funds continue to exist, aggregation on a combined balance sheet could not fall below four columns, the study said. Although it was beyond the scope of the study, Wilson noted that the study’s findings did not preclude the idea that consolidated financial statements would be useful or desirable for less knowledgeable users of financial information or as a crowning touch to an annual financial report (Wilson, 1990).

In the study, users indicated that they preferred the fund-type financial model as opposed to an aggregation (consolidation) of operating funds and capital-related funds and account groups. However, preparers, attesters, and academicians said they generally preferred a more aggregated (consolidated) set of combined financial statements. A
majority of users and academicians supported reporting infrastructure assets and depreciation, but a large percentage of preparers and attesters indicated they were opposed to each of them (Wilson, 1990).

Another GASB-sponsored study (Berne, 1992) concluded that (a) state and local governments need to improve their reporting of financial condition, (b) this improved reporting should occur within the annual financial report, (c) the information on financial condition should be presented in a separate section within the annual financial report, (d) the separate section should be an enhanced statistical section that would be a required supplementary section of the annual financial report, and (e) governments should be required to report certain core information. That information should include a 10-year time series of core financial condition measures, an interpretation of trends, overall conclusions from the analysis of individual measures, and any other factors that are likely to influence the financial condition of the government in the next three fiscal years (Berne, 1992).

A GASB-sponsored study by Carpenter and Sharp (1992) concluded that a prototype report that would help citizens understand municipal finances should be developed. The authors of the study therefore developed a prototype report model incorporating content and presentation most likely to encourage use and foster understanding of a city's finances. The prototype was developed after reviewing annual financial reports that received GFOA recognition for excellence and the supplemental financial reports that some of these governments issued, discussing with government finance officers the information that citizens needed to understand municipal finances, and reviewing the literature on the subject. Such a prototype would use present assets
minus liabilities for the most current and prior years, including use of resources with the focus on services provided, debt serviced, and capital improvements. Net costs, i.e., those covered by current taxes and other government revenue and borrowing, would be computed by subtracting intergovernmental revenues and user charges. The sources of funds to cover net costs would be presented after the listing of service costs. Also, comparative figures would be presented for the prior year to highlight changes, such as different commitments to services and shifts in bearing the burden for services provided (Carpenter & Sharp, 1992).

Summary

The studies of governmental financial statements and information generally show that users would like more or different information or information presented in a different format. However, the type of information users want and the importance of format to the user depends largely on the type of user. Stated another way, the studies suggest that a single change to a financial statement or financial information would not likely be viewed as an improvement by all types of users because of their differing information needs and level of financial sophistication. To improve the usefulness of a financial statement or financial information for all user groups, it might be necessary to make several changes, not all of which would be useful to any group. The studies supported GASB’s identification of the three primary user groups as members of the financial community, legislators and persons with government oversight responsibilities, and citizens.
CHAPTER IV

METHODOLOGY

The research involved interviewing the treasurers of 15 of the 23 public school districts in Ohio that implemented Statement No. 34 early to determine their experiences in implementing Statement No. 34. Statement No. 34 is the largest change in the history of American governmental accounting and financial reporting. It involves a major overhaul of state and local governments’ annual financial report. Although governments and school districts may implement Statement No. 34 before their mandated deadlines, the changeover cannot be phased in over several years because of the nature of the changes and annual financial report format requirements. Thus, the smallest to the largest state and local governments and school districts nationwide must be successful in implementing changes in the year they switch over their annual financial reports to the Statement No. 34 format, or face receiving less than an unqualified opinion from their auditors on their financial statements. A less-than-unqualified audit opinion on a government’s financial statements can result in the government receiving a lower bond rating, which affects the availability of and interest rate on money that the government borrows. For some governments, such as school districts, that depend heavily on revenue sources such as property taxes that do not provide an even revenue stream throughout the year, the ability to borrow money at the going interest rate for a government with good credit can be especially important. School buildings generally comprise a large percentage of public school districts’ fixed assets, and the districts generally finance
construction of new buildings and rehabilitation of older buildings with construction bonds. Thus, bond ratings are also important for public school districts.

It is debatable which size public school district or government faces the greatest challenge in implementing Statement No. 34. The small-sized public school districts and governments have less complex operations and annual financial reports, and so, in theory, they should face fewer challenges in implementing Statement No. 34. In many cases, however, smaller school districts and governments have less technical expertise and fewer resources available to implement Statement No. 34. The large-sized public school districts and governments generally have more complex operations and annual financial statements, but often have more expertise and resources available for the implementation. However, it may, in fact, be the medium-sized public school districts and governments that face the greatest challenge in implementing Statement No. 34; their operations and annual financial reports may not be as simple as the small-sized school districts and governments, nor their access to technical expertise and resources as great as the large-sized school districts and governments.

A problem with obtaining and analyzing information from government finance officers on implementing Statement No. 34 is the diversity of governments. They range from general-purpose governments, such as states, cities, and counties, to special-purpose governments, such as school districts, transportation authorities, bridge authorities, port authorities, fire districts, downtown development authorities, water and sewer districts, regional planning authorities, park and recreation districts, and landfill and trash authorities. Not only are the operations of the various types of governments different, the complexity of their finances is as well. In addition, users of annual financial
reports, particularly citizens, have different concerns about the finances of a government, depending on the type of government. The focus in the case of a bridge authority, for example, is likely to be purely whether the bridge can remain open and be properly maintained with the revenues that the bridge authority is collecting. Citizens' concern with regard to a city might be how many services the city can provide with the available revenues and grants available to it. With regard to a school district, citizens are interested in whether district revenues are being spent efficiently and effectively so that students do well on statewide achievement tests and college entrance examinations, if certain basic services such as busing, and programs such school lunch programs, are provided to students; and whether enrichment programs and services, such as classes in various foreign languages, speech therapy services, and programs for challenged students, are available. Citizens are also interested in whether the district's finances require tax increases to improve students' performance on statewide achievement and college entrance examinations, to enable the district to provide various programs and services, and to construct new school buildings and rehabilitate older buildings. Therefore, study results are likely to be more meaningful if the study is confined to one type of government.

Studies of one type of government among states may also be problematic because of differing definitions and structures of governments within the same category in different states. State laws and requirements for those governments generally vary from state to state as well. Therefore, the validity of study results may be improved by confining the study to one type of government in one state.
In 1999, Berea (Ohio) City School District became the first public school district in the nation to implement Statement No. 34. In the next two years, an additional 22 Ohio public school districts implemented Statement No. 34, although few of the other 14,000 public school districts or other 74,000 general-purpose or special-purpose governments nationally did so during this period. The relatively large-scale early implementation of Statement No. 34 by Ohio public school districts provided an opportunity to study implementation by one type of government within one state, thus eliminating some of the problems noted earlier.

The treasurer of each of the 23 Ohio public school districts was identified through the school districts' or Ohio Department of Education's worldwide websites. A letter addressed to each of the 23 treasurers was mailed to their respective school districts. The letter explained the nature of the study and requested the treasurers' participation in the study. Attached to the letter was a copy of the interview questions, which the treasurers were asked to review; a form granting their consent to participate in the study, which they were asked to sign and date; and a stamped, addressed envelope, in which they were requested to return the consent form. To gain fuller participation in the study, the researcher selected the methodology of conducting telephone interviews so they could be fit into the treasurers' busy schedules and rescheduled on short notice when crises arose that made the treasurers unavailable at the time originally scheduled. The interview questions were mailed in advance: (a) to increase the likelihood of participation of selected study subjects by removing concerns that the interview would be highly technical and/or time-consuming, (b) to obtain more accurate answers by
allowing the school treasurers time to consider the questions and consult any records necessary to answer them, and (c) to manage the interview so that it was focused.

Within a week of the mailings, the researcher attempted to contact each of the 23 treasurers by telephone and/or by e-mail. The contact was made to schedule an interview with those treasurers who agreed to participate in the study and to answer any questions that they might have. The researcher was able to contact 18 of the 23 treasurers, 15 of whom agreed to participate in the study. Five of the 23 treasurers did not respond to the letter inviting them to participate in the study nor the researcher’s telephone calls and e-mails.

Of the 15 school districts that participated in the study, four of the treasurers were not the treasurer of the school district when GASB Statement No. 34 was implemented. However, they were included in the study because they were able to provide information on the post-implementation effects of GASB Statement No. 34 on the school districts’ operations and how Statement No. 34 information was being used in their school districts. These four treasurers were also asked about implementation of GASB Statement No. 34 in their school districts because they were the custodians of the school districts’ accounting records for the periods prior to, during, and following implementation of GASB Statement No. 34.

For three of these four school districts, the person who was treasurer at the time of implementation was located and agreed to participate in the study. These three treasurers provided information about implementation and the effects and use of GASB Statement No. 34 information during the time that they remained with the school districts following implementation. In two of the school districts, the current school
treasurer declined to participate because they were not in that position when GASB Statement No. 34 was implemented, but referred the researcher to the persons who were the school treasurers at the time of implementation. Both of the former school district treasurers agreed to participate and were included in the study.

Once the treasurers granted their written consent to participate in the study and an interview was scheduled, each of the individual treasurers was contacted at the scheduled time for the telephone interview. The treasurers were asked the questions that were attached to the letter announcing the study. The treasurers were encouraged during the interviews to elaborate whenever possible, to provide specific examples, details, and their analysis.

Following the interviews, the researcher transcribed his interview notes. The answers to each question were categorized by question, response, and size of school district represented in terms of total school district revenue and total student enrollment, which in Ohio is officially termed "average daily membership." These data are summarized in narrative form and in Tables 7 through 60 in Chapter VI of this dissertation. Parts of some of the treasurers' answers are quoted or paraphrased to elucidate particular points. The list of questions appears in Appendix A.

Limitations and Key Assumptions

This study will be limited to one type of government official in one type of government in one state. The school district treasurers interviewed were limited to those in public school districts that had implemented Statement No. 34 by 2002. The study's
results, therefore, cannot be projected to the entire population. Furthermore, this study is of a qualitative, rather than quantitative, nature.

The key assumptions are that the finance officers were knowledgeable enough about Statement No. 34 and were sufficiently involved in the preparation of an annual financial report pre-Statement No. 34 and during its implementation to knowledgeably answer the questions.
CHAPTER V

BACKGROUND INFORMATION ON TREASURERS AND SCHOOL DISTRICTS

The Ohio public school districts involved in early implementation of Governmental Accounting Standards Board (GASB) Statement No. 34 ranged from small, rural districts to large, urban districts. They ranged also from the relatively affluent districts in terms of school district revenue to the relatively less affluent school districts. The school districts in the study are also geographically dispersed throughout Ohio to the extent that the early-implementing school districts were dispersed throughout Ohio. The treasurers who participated in this study also varied widely in terms of education, years of experience as school district treasurer and in the field of education, and in professional credentials.

The treasurers of the 23 Ohio school public districts selected for this study were contacted in October 2004 to seek their participation. One treasurer declined to participate in the study and seven other treasurers did not respond, despite several contacts with their offices. Of the 15 school districts whose treasurers agreed to participate, four treasurers were not in that position when their school districts implemented GASB Statement No. 34. They were included in the study because they provided information on the post-implementation effects of GASB Statement No. 34 on the school districts’ operations and how the information was being used in their school districts. These treasurers were also asked about the implementation of GASB Statement No. 34 within their districts because they were the custodians of the school districts’
accounting records for the periods prior to, during, and after implementation of GASB Statement No. 34.

For three of these four districts, the person who was school treasurer at the time of implementation was located and agreed to participate in the study. These three treasurers provided information about implementation and the effects and use of GASB Statement No. 34 information during the time they remained with the districts following implementation. In two districts, the current treasurer declined to participate because they were not in that position when GASB Statement No. 34 was implemented, but referred the researcher to the persons who were the school treasurers at the time of implementation. Both former district treasurers agreed to participate and were included in the study.

Study Participants

Eight of the treasurers included in the study responded to a series of questions about their backgrounds. All eight treasurers had college degrees in business: seven had degrees in accounting and one had a degree in computer science. Seven treasurers had bachelor’s degrees and one treasurer had an associate’s degree. Two of the treasurers had done some graduate work without obtaining an advanced degree, and one treasurer had a master’s degree and was pursuing a doctoral degree. Although Ohio law now requires a college degree to become a school treasurer, the law waives this requirement for persons without a college degree who are currently serving as a school district treasurer.
Four of the treasurers are certified public accountants (CPAs), and one is also a Certified Government Financial Manager (CGFM) and a Certified Fraud Examiner (CFE). Ohio law requires school treasurers to be licensed by the State of Ohio. Ohio law now requires new treasurers to undergo training on school finance law and serve an internship with a school treasurer. However, these requirements are relatively new, so most treasurers who participated in the study became treasurers before these requirements existed.

Two treasurers worked previously for CPA firms, for 4 years and 30 years, respectively. Two other treasurers worked previously in banking, for 1 year and 4 years, respectively. Another treasurer worked previously in the private sector for 6 years. One treasurer was previously employed in data processing at a school district for 1.5 years, and two other treasurers previously worked in state government, for 3 years and 22.5 years, respectively. Two treasurers previously served as assistant school treasurers, for 1 year and 7 years, respectively.

The years of experience as a school treasurer ranged from 2.5 years to 24 years among the eight subjects, with a mean of 13.3 years, and a median of 11.5 years.

Although some treasurers did not respond to the request for information on their backgrounds, they did offer limited information during the interviews. It was thus determined that one treasurer had obtained a master’s degree and another had received a bachelor’s degree. Two treasurers had previously worked for the State of Ohio, one as a computer programmer. A third treasurer had previously served as an assistant school treasurer.
Two of the treasurers who formerly worked for the State of Ohio had been employed by the Local Government Services Section of the State Auditor's Office assisting local public school districts in preparing their annual financial reports.

School District Revenues and Treasurers' Salaries

The type of school district, total district revenues, total district revenues on a per-pupil basis, and the treasurer's salary for each of the 15 school districts included in this study are shown in Table 2. The table also lists the size of the school districts, based on their required date of implementation for Statement No. 34. Additional detail is provided on each in the sections that follow.

Types of School Districts

Three types of public school districts in Ohio provide primary and secondary education, according to Section 3311 of the Ohio Revised Code. One type is the City school district, which is comprised of the area within an incorporated city plus any additional area attached to the district for school purposes and minus any area detached from the district for school purposes. City school districts are exempt from supervision by the county board of education, which is a directly elected body without taxing authority.

A second type is the Exempted Village school districts. In Ohio, a village is an incorporated area with a population of less than 5,000 persons. An Exempted Village school district contains the area within the village, plus any area attached to the district for school purposes. "Exempted" refers to the fact that this type of school district is
Table 2

School District Revenue and Treasurer's Salary

<table>
<thead>
<tr>
<th>School District</th>
<th>Type of School District</th>
<th>Fiscal Year 2003 Total School District Revenue&lt;sup&gt;a&lt;/sup&gt;</th>
<th>School District Size Based on Implementation Date&lt;sup&gt;b&lt;/sup&gt;</th>
<th>Fiscal Year 2003 Total Revenue on a Per-Pupil Basis&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Fiscal Year 2002 School Treasurer's Salary&lt;sup&gt;c&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>City</td>
<td>$66,107,712</td>
<td>Medium</td>
<td>$8,809.66</td>
<td>$91,100</td>
</tr>
<tr>
<td>2</td>
<td>Exempted Village</td>
<td>$6,262,905</td>
<td>Small</td>
<td>$6,016.24</td>
<td>$51,100</td>
</tr>
<tr>
<td>3</td>
<td>Exempted Village</td>
<td>$16,060,239</td>
<td>Medium</td>
<td>$8,282.74</td>
<td>$71,000</td>
</tr>
<tr>
<td>4</td>
<td>Local</td>
<td>$16,079,263</td>
<td>Medium</td>
<td>$7,108.43</td>
<td>$72,000</td>
</tr>
<tr>
<td>5</td>
<td>Local</td>
<td>$14,569,143</td>
<td>Medium</td>
<td>$6,118.92</td>
<td>$60,320</td>
</tr>
<tr>
<td>6</td>
<td>Local</td>
<td>$7,663,014</td>
<td>Small</td>
<td>$6,583.35</td>
<td>$43,000</td>
</tr>
<tr>
<td>7</td>
<td>City</td>
<td>$23,350,073</td>
<td>Medium</td>
<td>$6,562.70</td>
<td>$65,000</td>
</tr>
<tr>
<td>8</td>
<td>Local</td>
<td>$7,575,781</td>
<td>Small</td>
<td>$6,452.97</td>
<td>$51,179</td>
</tr>
<tr>
<td>9</td>
<td>City</td>
<td>$14,083,628</td>
<td>Medium</td>
<td>$6,674.71</td>
<td>$57,678</td>
</tr>
<tr>
<td>10</td>
<td>City</td>
<td>$112,290,590</td>
<td>Large</td>
<td>$8,349.36</td>
<td>$116,210</td>
</tr>
<tr>
<td>11</td>
<td>City</td>
<td>$22,585,844</td>
<td>Medium</td>
<td>$8,836.40</td>
<td>$80,901</td>
</tr>
<tr>
<td>12</td>
<td>City</td>
<td>$10,284,877</td>
<td>Medium</td>
<td>$6,546.71</td>
<td>$31,154</td>
</tr>
<tr>
<td>13</td>
<td>City</td>
<td>$26,820,769</td>
<td>Medium</td>
<td>$6,557.65</td>
<td>$67,600</td>
</tr>
<tr>
<td>14</td>
<td>City</td>
<td>$12,473,924</td>
<td>Medium</td>
<td>$6,141.76</td>
<td>$52,000</td>
</tr>
<tr>
<td>15</td>
<td>Local</td>
<td>$19,885,419</td>
<td>Medium</td>
<td>$5,890.23</td>
<td>$67,136</td>
</tr>
</tbody>
</table>

Mean $25,072,879 Medium $6,995 $65,159

Median $16,060,239 Medium $6,563 $65,000

<sup>a</sup> (Ohio Department of Education, 2004b)

<sup>b</sup> (GASB, 1999)

<sup>c</sup> (Ohio Department of Education, 2003a)
exempt from supervision by the county board of education. By Ohio law, no Exempted Village school districts have been created since June 1, 1954.

The third type is the Local school district. A Local school district is one that provides primary and secondary education, but is neither a City nor an Exempted Village school district. The county board of education supervises the Local school districts within a county. If the county contains only one Local school district, then the county board of education becomes the policy board for that district and assumes taxing authority.

Another type of public school district in Ohio is the Joint Vocational school district. This type of district provides only secondary education. By Ohio law, vocational education must be available to every secondary student in Ohio. A Joint Vocational school district must contain a minimum enrollment base of 1,500 students, according to Ohio law. A Joint Vocational school district often encompasses most or all of the school districts within a county, and sometimes includes some school districts from an adjacent county.

There are 688 Ohio public school districts. These are comprised of 197 (28.6%) City school districts, 49 (7.1%) Exempted Village school districts, 375 (54.5%) Local school districts, and 67 (9.7%) Joint Vocational school districts.

Of the 15 districts in this study, 8 (53.3%) districts are City school districts, 2 (13.3%) are Exempted Village school districts, and 5 (33.3%) are Local school districts.
School District Size by Total Revenue

For purposes of establishing deadlines for implementing GASB Statement No. 34, GASB divided governments into three groups—those with total annual revenues of less than $10 million, those with total annual revenues of at least $10 million but less than $100 million, and those with total annual revenues of $100 million or more (GASB, 1999). For the purposes of this table, we have designated school districts in these groups as “small,” “medium,” and “large,” respectively.

Three (20.0%) of the districts in the study are small by GASB’s designation, with their fiscal year 2003 revenues ranging from $6.3 million to $7.7 million. Eleven (73.3%) districts in the study are medium-sized, with their 2003 revenues ranging from $10.3 million to $66.1 million. One (6.7%) district is large, with 2003 annual revenues of $112.3 million (Ohio Department of Education, 2004b). The mean total revenues for the districts was $25.1 million and the median was $16.1 million.

Total Revenue on a Per-Pupil Basis

Total school district revenue per pupil ranged from $5,890 to $8,836, or a 50.0% disparity between the highest and lowest among the 15 school districts in fiscal year 2003. The mean was $6,995 per student and the median was $6,563. One (6.7%) district had total revenues of less than $6,000 per student, 9 (60.0%) districts had total revenues of at least $6,000 but less than $7,000 per student, 1 (6.7%) district had revenues of at least $7,000 but less than $8,000 per student, and 4 (26.7%) had total revenues of $8,000 or more per student.
Remuneration

The treasurers' salaries in the school districts that participated in the study ranged from $31,154 to $116,210 per year, with a mean of $65,159 and a median of $65,000 (Ohio Department of Education, 2003b). The lowest salaries were generally in the districts with the smallest student population, and the highest salaries were mainly in the districts with the largest student populations. The highest salaries tended to be in northeastern Ohio, where the school districts are larger and the wage market is traditionally higher because of industrialization. There was less of a correlation between pay level and a school district's total revenue, district revenue per pupil, district real estate property value, a treasurer's level of education, or a treasurer's years of experience.

Student Enrollment, Demographics, and Nature of the School Districts

Student enrollment and percentage of minority students in the 15 school districts are shown in Table 3. It also lists the population density and percentage of agricultural property in the districts. The sections that follow discuss each of these in further detail.

School District Size by Average Daily Membership

In Ohio, the student population of a school district is measured in terms of "average daily membership" (ADM). The ADM of districts in the study ranged from 1,041 students to 13,499 students, with a mean of 3,347 students and median of 2,262 students (Ohio Department of Education, 2004a). For purposes of describing the
Table 3

*Student Enrollment, Demographics, and Nature of the School Districts*

<table>
<thead>
<tr>
<th>School District</th>
<th>Fiscal Year 2003 Average Daily Membership</th>
<th>School District Size Based on ADM</th>
<th>Fiscal Year 2003 Percentage of Minority Students</th>
<th>Fiscal Year 2003 Population Density Per Square Mile</th>
<th>Fiscal Year 2003 Percentage of Agricultural Property</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>7,504</td>
<td>Large-medium</td>
<td>8.8%</td>
<td>2,552.1</td>
<td>0.0%</td>
</tr>
<tr>
<td>2</td>
<td>1,041</td>
<td>Small</td>
<td>0.3%</td>
<td>32.8</td>
<td>34.1%</td>
</tr>
<tr>
<td>3</td>
<td>1,939</td>
<td>Small</td>
<td>2.5%</td>
<td>1,065.2</td>
<td>0.8%</td>
</tr>
<tr>
<td>4</td>
<td>2,262</td>
<td>Small-medium</td>
<td>4.9%</td>
<td>360.2</td>
<td>5.7%</td>
</tr>
<tr>
<td>5</td>
<td>2,381</td>
<td>Small-medium</td>
<td>1.2%</td>
<td>60.9</td>
<td>21.3%</td>
</tr>
<tr>
<td>6</td>
<td>1,164</td>
<td>Small</td>
<td>1.1%</td>
<td>65.1</td>
<td>26.1%</td>
</tr>
<tr>
<td>7</td>
<td>3,558</td>
<td>Medium</td>
<td>2.6%</td>
<td>172.7</td>
<td>10.9%</td>
</tr>
<tr>
<td>8</td>
<td>1,174</td>
<td>Small</td>
<td>0.9%</td>
<td>64.6</td>
<td>38.0%</td>
</tr>
<tr>
<td>9</td>
<td>2,110</td>
<td>Small-medium</td>
<td>3.0%</td>
<td>92.0</td>
<td>23.1%</td>
</tr>
<tr>
<td>10</td>
<td>13,449</td>
<td>Large</td>
<td>4.6%</td>
<td>4,566.0</td>
<td>0.0%</td>
</tr>
<tr>
<td>11</td>
<td>2,556</td>
<td>Small-medium</td>
<td>4.2%</td>
<td>5,663.7</td>
<td>0.0%</td>
</tr>
<tr>
<td>12</td>
<td>1,571</td>
<td>Small</td>
<td>2.9%</td>
<td>246.4</td>
<td>8.8%</td>
</tr>
<tr>
<td>13</td>
<td>4,090</td>
<td>Medium</td>
<td>8.7%</td>
<td>264.2</td>
<td>5.8%</td>
</tr>
<tr>
<td>14</td>
<td>2,031</td>
<td>Small-medium</td>
<td>3.7%</td>
<td>86.9</td>
<td>12.9%</td>
</tr>
<tr>
<td>15</td>
<td>3,376</td>
<td>Medium</td>
<td>0.7%</td>
<td>113.3</td>
<td>19.9%</td>
</tr>
<tr>
<td>Mean</td>
<td>3,347</td>
<td>Medium</td>
<td></td>
<td>1,027</td>
<td></td>
</tr>
<tr>
<td>Median</td>
<td>2,262</td>
<td>Small-medium</td>
<td>2.9%</td>
<td>173</td>
<td>10.9%</td>
</tr>
</tbody>
</table>

*(Ohio Department of Education, 2004a)*
school districts in this study based on ADM, we have designated school districts as being "small-sized," "small-medium sized," "medium-sized," "large-medium sized," or "large-sized." Five (33.3%) of the districts, which we have termed "small" in this study, had fewer than 2,000 students; five (33.3%) districts, which are termed "small-medium" in this study, had between 2,000 and 2,999 students; three (20.0%) districts, which are termed "medium" in this study, had 3,000 and 4,999 students; one (6.7%) district, termed "large-medium" in this study, had 7,504 students; and one (6.7%) district, termed "large" in this study, had 13,449 students.

Minority Student Population

The percentage of the school districts' total student population comprised of students of all minority races ranged from 0.3% to 8.8%, with a median of 2.9% (Ohio Department of Education, 2004a). Minority students ranged from 0.3% to 0.9% of the student population in three (20.0%) districts; 1.1% and 1.2% of the student population, respectively, in one (6.7%) district each; from 2.5% to 2.9% of the student population in three (20.0%) districts; 3.0% and 3.7% of the student population, respectively, in one (6.7%) district each; from 4.2% to 4.9% of the student population in three (20.0%) districts; and 8.7% and 8.8% of the student population, respectively, in one (6.7%) district each.

Population Density

The population density of the 15 school districts in the study varied widely, ranging from 33 persons to 5,664 persons (Ohio Department of Education, 2004a). The
mean was 1,027 persons and the median is 173 persons. Six (40.0%) of the districts had between 33 and 92 persons. Five (33.3%) districts had between 113 persons and 360 persons. One (6.7%) district each had 1,065 persons, 2,552 persons, 4,566 persons, and 5,664 persons, respectively. These four districts are in Ohio’s northeast section.

Agricultural Property

The percentage of agricultural property in the school districts ranged from 0.0% to 34.1% (Ohio Department of Education, 2004a). The median was 10.9%. Three districts (20.0%) had 0.0% agricultural property in them. Agricultural property comprised more than 0.0% but less than 10.0% of the land in four districts (26.6%). Agricultural property comprised more than 10.0% but less than 20.0% of the land in three (20.0%) districts. Five (33.3%) of the districts were more than 20.0% composed of agricultural property.

Income, Education, and Nature of Employment of School District Residents

The median income of residents of the 15 school districts, the percentage of students from families receiving Aid to Families with Dependent Children, the percentage of residents who have taken one college course or more, and the percentage of residents who work in administrative or professional positions are shown in Table 4. The sections that follow present additional detail on each of these.
Table 4

*Income, Education, and Nature of Employment of School District Residents*

<table>
<thead>
<tr>
<th>School District</th>
<th>Fiscal Year 2003 Median Income for All Workers in School District&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Fiscal Year 2003 Percentage of Students Receiving ADC&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Fiscal Year 2003 Percentage of Population with Some College or More&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Fiscal Year 2003 Percentage of Population in Administrative or Professional Occupations&lt;sup&gt;a&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$31,320</td>
<td>1.8%</td>
<td>45.0%</td>
<td>28.2%</td>
</tr>
<tr>
<td>2</td>
<td>$22,877</td>
<td>1.2%</td>
<td>30.9%</td>
<td>20.3%</td>
</tr>
<tr>
<td>3</td>
<td>$45,334</td>
<td>0.1%</td>
<td>85.7%</td>
<td>60.9%</td>
</tr>
<tr>
<td>4</td>
<td>$32,788</td>
<td>2.4%</td>
<td>47.2%</td>
<td>32.1%</td>
</tr>
<tr>
<td>5</td>
<td>$24,747</td>
<td>5.9%</td>
<td>32.5%</td>
<td>21.4%</td>
</tr>
<tr>
<td>6</td>
<td>$28,211</td>
<td>1.7%</td>
<td>38.4%</td>
<td>24.0%</td>
</tr>
<tr>
<td>7</td>
<td>$26,285</td>
<td>1.7%</td>
<td>36.2%</td>
<td>22.5%</td>
</tr>
<tr>
<td>8</td>
<td>$29,628</td>
<td>1.7%</td>
<td>34.1%</td>
<td>19.7%</td>
</tr>
<tr>
<td>9</td>
<td>$25,011</td>
<td>1.9%</td>
<td>25.7%</td>
<td>17.1%</td>
</tr>
<tr>
<td>10</td>
<td>$31,346</td>
<td>2.2%</td>
<td>46.2%</td>
<td>30.9%</td>
</tr>
<tr>
<td>11</td>
<td>$39,478</td>
<td>0.7%</td>
<td>72.7%</td>
<td>48.7%</td>
</tr>
<tr>
<td>12</td>
<td>$27,300</td>
<td>2.9%</td>
<td>43.6%</td>
<td>34.1%</td>
</tr>
<tr>
<td>13</td>
<td>$26,772</td>
<td>2.7%</td>
<td>37.9%</td>
<td>24.9%</td>
</tr>
<tr>
<td>14</td>
<td>$25,280</td>
<td>6.9%</td>
<td>38.3%</td>
<td>25.5%</td>
</tr>
<tr>
<td>15</td>
<td>$28,215</td>
<td>2.7%</td>
<td>25.3%</td>
<td>18.4%</td>
</tr>
<tr>
<td>Mean</td>
<td>$29,639</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Median</td>
<td>$28,211</td>
<td>1.9%</td>
<td>38.3%</td>
<td>24.9%</td>
</tr>
</tbody>
</table>

<sup>a</sup> (Ohio Department of Education, 2004a)
**Median Income**

Median income in the districts ranged from $22,877 to $45,334 per year (Ohio Department of Education, 2004a), with a mean of $29,639 and a median of $28,211. Median income ranged from $22,877 to $29,628 a year in 10 (66.7%) of the school districts, from $31,320 to $39,478 a year in 4 (26.7%) of the school districts, and $45,334 in 1 (6.7%) school district.

**Aid to Families With Dependent Children**

The percentage of students in the school districts whose families were receiving Aid to Families with Dependent Children ranged from 0.1% to 6.9% (Ohio Department of Education, 2004a), with a median of 1.9%. Students from families receiving the aid in two (13.3%) school districts comprised 0.1% and 0.7%, respectively, of the student body; students from families receiving the aid comprised from 1.2% to 1.9% of the student body in six (40.0%) districts; students from families receiving the aid comprised from 2.2% and 2.9% of the student body in five (33.3%) districts; and students from families receiving the aid comprised 5.9% and 6.9%, respectively, of the student body in one (6.7%) district each.

**College Education**

The percentage of the population within the school districts that had taken at least one college course ranged from 25.3% to 85.7% (Ohio Department of Education, 2004a), with a median of 38.3%. The percentage of the district population that had taken
at least one college course was 25.3% and 25.7%, respectively, in one (6.7%) school district; from 30.9% to 38.4% in seven (46.7%) districts; from 43.6% to 47.2% in four (26.7%) districts; and 72.7% and 85.7%, respectively, in one (6.7%) district each.

Administrators and Professionals

The percentage of the population in the school districts that worked in administrative or professional occupations ranged from 17.1% to 60.9% (Ohio Department of Education, 2004a), with a median of 24.9%. Three (20.0%) districts had from 17.1% to 19.7% of their populations so employed; seven (46.7%) districts had from 20.3% to 28.2% of their populations so employed; three (20.0%) districts had from 30.9% to 34.1% of their population so employed; and one (6.7%) district each had 48.7% and 60.9%, respectively, of its population so employed.

School District Taxable Property and Taxes

The value of taxable property, the value of taxable property on a per-pupil basis, the school district’s rank in terms of taxable property per student, the amount of taxes levied, and the amount of taxes levied as a percentage of value of taxable property the 15 school districts are presented in Table 5. The table is followed by a section on each item.

Average Taxable Property Per Pupil in Calendar Year 2002

The average taxable property value on a per-pupil basis in the school districts ranged from $51,978 to $248,632 (Ohio Department of Education, 2003b), with a mean of $130,586 and a median of $121,159. The average for Ohio’s 688 public school
Table 5

**School District Taxable Property and Taxes**

<table>
<thead>
<tr>
<th>School District</th>
<th>Calendar Year 2002 Total Taxable Property Value in School District on Per-Pupil Basis(^a)</th>
<th>School District's Rank in Calendar Year 2002 Among 688 Districts Statewide Based on Taxable Property Value Per Pupil(^a)</th>
<th>Calendar Year 2002 Total Taxable Value of Real and Tangible Property in School District(^a)</th>
<th>Calendar Year 2002 Total Real and Tangible Property Taxes Levied(^a)</th>
<th>Calendar Year 2002 Taxes Levied as a Percentage of Total Taxable Value of Real and Tangible Property in School District</th>
<th>Mean</th>
<th>Median</th>
<th>State Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$194,920</td>
<td>45</td>
<td>$1,462,737,652</td>
<td>$62,759,186</td>
<td>4.3%</td>
<td>$130,586</td>
<td>$121,159</td>
<td>$122,664</td>
</tr>
<tr>
<td>2</td>
<td>$90,032</td>
<td>370</td>
<td>$93,742,950</td>
<td>$2,351,960</td>
<td>2.5%</td>
<td>$122,664</td>
<td>$121,159</td>
<td>$122,664</td>
</tr>
<tr>
<td>3</td>
<td>$215,743</td>
<td>30</td>
<td>$418,605,651</td>
<td>$14,034,038</td>
<td>3.4%</td>
<td>$122,664</td>
<td>$121,159</td>
<td>$122,664</td>
</tr>
<tr>
<td>4</td>
<td>$138,179</td>
<td>153</td>
<td>$313,042,592</td>
<td>$9,365,580</td>
<td>3.0%</td>
<td>$122,664</td>
<td>$121,159</td>
<td>$122,664</td>
</tr>
<tr>
<td>5</td>
<td>$64,087</td>
<td>554</td>
<td>$152,753,083</td>
<td>$3,673,649</td>
<td>2.4%</td>
<td>$122,664</td>
<td>$121,159</td>
<td>$122,664</td>
</tr>
<tr>
<td>6</td>
<td>$103,473</td>
<td>297</td>
<td>$120,594,594</td>
<td>$3,866,745</td>
<td>3.2%</td>
<td>$122,664</td>
<td>$121,159</td>
<td>$122,664</td>
</tr>
<tr>
<td>7</td>
<td>$121,159</td>
<td>209</td>
<td>$431,007,258</td>
<td>$9,910,948</td>
<td>2.3%</td>
<td>$122,664</td>
<td>$121,159</td>
<td>$122,664</td>
</tr>
<tr>
<td>8</td>
<td>$87,261</td>
<td>402</td>
<td>$102,471,114</td>
<td>$3,335,450</td>
<td>3.3%</td>
<td>$122,664</td>
<td>$121,159</td>
<td>$122,664</td>
</tr>
<tr>
<td>9</td>
<td>$93,197</td>
<td>353</td>
<td>$196,572,205</td>
<td>$5,172,693</td>
<td>2.6%</td>
<td>$122,664</td>
<td>$121,159</td>
<td>$122,664</td>
</tr>
<tr>
<td>10</td>
<td>$165,835</td>
<td>83</td>
<td>$2,233,359,941</td>
<td>$84,709,579</td>
<td>3.8%</td>
<td>$122,664</td>
<td>$121,159</td>
<td>$122,664</td>
</tr>
<tr>
<td>11</td>
<td>$248,632</td>
<td>18</td>
<td>$635,537,663</td>
<td>$21,684,086</td>
<td>3.4%</td>
<td>$122,664</td>
<td>$121,159</td>
<td>$122,664</td>
</tr>
<tr>
<td>12</td>
<td>$184,011</td>
<td>58</td>
<td>$289,177,500</td>
<td>$6,699,876</td>
<td>2.3%</td>
<td>$122,664</td>
<td>$121,159</td>
<td>$122,664</td>
</tr>
<tr>
<td>13</td>
<td>$125,237</td>
<td>192</td>
<td>$512,379,545</td>
<td>$17,067,953</td>
<td>3.3%</td>
<td>$122,664</td>
<td>$121,159</td>
<td>$122,664</td>
</tr>
<tr>
<td>14</td>
<td>$75,048</td>
<td>493</td>
<td>$152,538,355</td>
<td>$4,028,439</td>
<td>2.6%</td>
<td>$122,664</td>
<td>$121,159</td>
<td>$122,664</td>
</tr>
<tr>
<td>15</td>
<td>$51,978</td>
<td>590</td>
<td>$175,429,278</td>
<td>$4,040,426</td>
<td>2.3%</td>
<td>$122,664</td>
<td>$121,159</td>
<td>$122,664</td>
</tr>
</tbody>
</table>

\(^a\) (Ohio Department of Education, 2003a)
districts was $122,664 (Ohio Department of Education, 2003b). In six (40.0%) of the districts, the average taxable property value per pupil ranged from $51,978 to $93,197; in seven (46.7%) districts it ranged from $103,473 to $194,920; and in one (6.7%) district each, the value per pupil was $215,743 and $248,632, respectively.

**School District Rank Based on Property Taxable Value Per Pupil**

Based on taxable property values per pupil for all 688 Ohio public school districts, the 15 districts in the study ranged in rank from 18th to 590th of 688 school districts for calendar year 2002 (Ohio Department of Education, 2003b), with an average of 256 and a median of 209. Five (33.3%) school districts were among the top 83 (12th percentile) school districts in the state; two (13.3%) other districts were within the top 192 (28th percentile) school districts in the state; two (13.3%) more districts were within the top 297 (43rd percentile) districts in the state; two (13.3%) districts were between 353rd (51st percentile) and 370th (54th percentile) in the state; two (13.3%) districts were between 402nd and 493rd (72nd percentile) in the state; and two (13.3%) districts were between 554th (80th percentile) and 590th (86th percentile) in the state.

**Total Taxable Value of Real and Tangible Property**

The total taxable value of real and tangible property in the 15 school districts during calendar year 2002 ranged from $93.7 million to $2.2 billion (Ohio Department of Education, 2003b), with a mean of $486.0 million and a median of $289.2 million. The statewide average was $321.6 million. One (6.7%) school district had less than $100 million in taxable value of property within its jurisdiction, six (40.0%) had $100 million
to less than $200 million in taxable value of property, four (26.7%) $200 million to less
than $500 million in taxable value of property, two (13.3%) had $500 million to less than
$1 billion in taxable value of property, one (6.7%) had $1 billion to less than $2 billion in
taxable value of property, and one (6.7%) had more than $2 billion in taxable value of
property within its jurisdiction.

Real and Tangible Taxes Levied

The total real and tangible property taxes levied by the 15 school districts during
calendar year 2002 ranged from $2.3 million to $84.7 million (Ohio Department of
Education, 2003b), with a mean of $16.8 million and a median of $6.7 million. The
statewide average for real and tangible property taxes levied was $10.6 million. One
(6.7%) district levied less than $3 million in taxes, five (33.3%) levied at least $3 million
but less than $5 million in taxes, two (13.3%) levied at least $5 million but less than $10
million in taxes, four (26.7%) levied at least $10 million but less than $20 million in
taxes, one (6.7%) levied at least $20 million but less than $50 million in taxes, one
(6.7%) levied at least $50 million but less than $75 million in taxes, and one (6.7%)
levied $75 million or more in taxes.

Real and Tangible Property Taxes Levied as a Percentage of Taxable Property Value

The amount of real and taxable property taxes levied by the 15 school districts as
a percentage of the taxable value of real and tangible property within the districts ranged
from 2.3% to 4.3% (Ohio Department of Education, 2003b), with a median of 3.0%.
The statewide average was 3.3%. Four (26.7%) of the school districts levied taxes
between 2.3% to less than 2.5% of the value of taxable property in their districts, three
(20%) of the districts levied taxes ranging from 2.5% to less than 3.0% of the value of
taxable property, six (40%) levied taxes ranging from 3.0% to less than 3.5% of the
value of taxable property, one (6.7%) levied taxes ranging from 3.5% to less than 4.0%
of the value of taxable property, and one (6.7%) levied taxes in excess of 4.0% of the
value of taxable property.

*Ohio Public School District Financing*

Local revenue for Ohio public school districts is generated primarily from
property taxes. School districts have the option of seeking voter approval of a district-
wide income tax to supplement revenue generated by property taxes. The majority of
property taxes are on real property. Although Ohio has personal property taxes to
support school districts, by state law these are being phased out over a 10-year period.

School districts may seek additional property tax revenue above the statutory
base by placing the tax request on the ballot for voter approval. Because property taxes
are calculated in mills, i.e., one tenth of a cent, property tax issues placed on the ballot
are referred to as “millage issues.” A one-mill tax generates $50 a year in property tax
revenue from a residential property with a taxable value of $50,000. Millage issues
contain a sunset provision, which forces school districts that wish to continue to receive
the millage revenues after the millage’s expiration to place a millage renewal issue on the
ballot for voter approval. Therefore, many school districts have millage issues on the
ballot every few years. If a district receives tax revenues from several different millage
issues that were not passed simultaneously, voters in the district may be asked to approve millage renewals more frequently because of the overlapping expiration dates.

An Ohio law, commonly referred to as “House Bill 920,” protects property owners against inflationary property tax increases by holding constant the amount of property taxes a property owner pays the school district during the life of a millage issue. School districts, therefore, must cope with inflationary costs by either finding cost savings in their operations, reducing or eliminating services or programs, or seeking additional revenues through new millage and income tax issues, state and federal grants, fees and charges, or private gifts and donations.

In addition to millage issues for general school district operation and capital improvements, school districts may also seek voter approval of special millage issues that allow the districts to issue bonds to finance construction and capital improvements.

Ohio law also allows local school districts the option of seeking voter approval of a district-wide income tax to support the schools. This tax, which is generally one half of 1%, is in addition to the state income tax and any local city income tax.

Property taxes are collected twice a year. School property tax revenues are certified by the county auditor, who is an elected official. This certification gives a school district the legal authority to spend the amount of money certified by the county auditor.

Ohio Public School District Accounting and Financial Reporting Practices

Ohio school districts operate on a July 1 to June 30 fiscal year. Ohio law requires that they operate on a cash basis. Ohio law also requires school districts to maintain records for fixed assets that constitute at least 80% of the value of the fixed assets
owned by the school district. They are required by the State of Ohio Auditor's Office to issue general purpose financial statements annually. The required financial report consists of the basic financial statements, the combined financial statements, and the notes. Combining statements and supplementary information are not required in the annual financial report. A minority of Ohio school districts issue a comprehensive annual financial report (CAFR), which exceeds state requirements for annual financing reporting by providing additional financial statements and information. Among the reasons some Ohio public school districts voluntarily choose to issue CAFRs are to obtain better credit ratings and interest rates on any bonds that they issue, to present a more professional image of the school district and its finances, and to satisfy the desire for readers and potential readers of the annual financial report for more detailed information on the school districts' finances.

The State of Ohio Auditor's Office requires Ohio public school districts to conform with generally accepted accounting principles (GAAP) in their annual financial reports. Prior to implementation of GASB Statement No. 34, this meant restating the school districts' cash-basis financial information on the modified accrual basis. With implementation on GASB Statement No. 34, this means restating certain information on a modified accrual basis and other information on a full-accrual basis, as required. A school district may issue its financial statements on a non-GAAP basis, but is subject to a fine by the State of Ohio for doing so. Also, failure to conform with GAAP may result in a less-than-favorable opinion from the auditors on the district's financial statements, which could adversely affect the district's credit rating and interest rate on any bonds that it issues.
Whether or not a school district issues general financial statements or a CAFR, it is required by the State Auditor’s Office to comply with GASB Statement No. 34 by the implementation deadlines set by GASB.

The State of Ohio Auditor’s Office oversees the financial operations of all local governments and special purpose governments, which include public school districts in Ohio. Each school district’s annual financial report, whether general financial schedules or CAFR, must be audited and filed with the State Auditor’s Office. The State Auditor has the right to perform audits of local governments and special governments, such as school districts, and bills the audited entity for its services. Typically, the State Auditor’s Office performs audits of the majority of the school districts in the state. Because of resource limitations, the State of Ohio Auditor’s Office “releases” a certain number of school districts each year. The released districts must hire public accountants to audit their annual financial reports.

The State of Ohio Auditor’s Office has two divisions that are oftentimes involved in the annual financial report process of Ohio public school districts. One division, called Local Government Services (LGS), assists school districts in converting their cash-basis financial records to modified-accrual, and with the implementation of GASB Statement No. 34, to full-accrual, financial statements for the annual financial report. LGS also assists the school districts in developing their notes to the financial statement and may suggest information to include in the Management Discussion and Analysis (MD&A). Treasurers reported that their school districts used LGS for varying amounts of assistance, with some school districts doing many of the steps that led to the final financial statements, while other districts gathered and prepared the information LGS
needed and LGS did the rest. The other division of the State of Ohio Auditor’s Office involved in the annual financial report process audits the financial statements in the annual report. The two divisions operate separately and bill separately for their services.

Governments that receive or pass through to others $300,000 ($500,000 beginning in 2005) or more annually in federal money are required to file a Single Audit with the cognizant federal agency under Office of Management and Budget Act A-133. This audit includes a schedule of federal financial assistance, which lists the sources of federal funds. Because most public school districts receive at least $300,000 a year in federal money through Title IV and other federal programs, they must also file a Single Audit.

Five-Year Projections

By law, Ohio public school districts are required to file a five-year financial projection of their general fund revenues and expenditures on a cash basis with the State twice a year. These projections are posted on the Ohio Department of Education (ODE) website. If conditions occur that cause the projection to change by more than 5% between the semiannual filings, the school district is required by law to file an updated five-year financial projection with the State. If the State believes a projection may not be accurate, it may ask the school district for additional information or review the school district’s financial records. School districts with five-year projections that indicate financial peril may be placed by the State on one of a series of public lists indicating an increasing number of financial problems. If a school district does not correct its financial
deficiencies, its finances may be taken over by the State or the school district merged with another school district.

*State Aid to Education*

The State of Ohio provides various forms of aid to public school districts. Besides providing grants to school districts based on their ADM, Ohio provides financing to build new school buildings based on statewide rankings of school districts. The State ranks the districts on their need to replace school buildings and their financial ability to pay for new schools. Each year, based on the amount of money appropriated for school building financing, the State selects certain school districts to whom to offer financing. Based on the taxable value of real property within the district, the State determines the percentage of the cost for the new buildings that it will pay and the percentage that the local district must pay. School districts that are able to get local voter approval of the necessary millage to repay the school district’s share of bonds to build the schools receive the proceeds of bonds sold by the State to finance the new school buildings. Because the bonds are backed by the State, they are generally sold at a lower interest rate than if the school district itself issued the bonds. School districts that choose not to take advantage of the State’s offer or whose voters do not approve the millage necessary to repay the bonds are moved down on the priority list of school districts eligible to receive the state aid. School treasurers in this study said that then they anticipated that if they did not accept the state funding when it is originally offered, that the percentage of costs the local district would have to pay would increase when the State next offered its assistance in building new schools.
Property Value Per Student

Based on property values per student for all 688 Ohio public school districts, the 15 districts in the study ranged in rank from 18th to 590th of 688 school districts for calendar year 2002 (Ohio Department of Education, 2003b). Five (33.3%) school districts were among the top 83 school districts in the state; two (13.3%) other districts were within the top 192 school districts in the state; two (13.3%) more districts were within the top 297 districts in the state; two (13.3%) districts were between 353rd and 370th in the state; two (13.3%) districts were between 402nd and 493rd in the state; and two (13.3%) districts were between 554th and 590th in the state.

School District Revenue

Real estate tax revenue, tangible personal property tax revenue, income tax revenue, and grants and other non-tax revenue, as well as the percentage each is of total school district revenue, are presented in Table 6. Each of these is discussed in the sections that follow.

Real Estate Tax Revenue

Real estate tax revenues received by the 15 school districts in fiscal year ranged from $1.1 million to $68.1 million (Ohio Department of Education, 2004b), with a mean of $11.8 million and a median of $4.7 million. Two (13.3%) of the school districts received less than $2 million in real estate tax revenues, six (40%) received from $2 million to less than $5 million, three (20%) received from $5 million to less than $10 million.
<table>
<thead>
<tr>
<th>School District</th>
<th>Fiscal Year 2003 Real Estate Tax Revenue</th>
<th>Real Estate Tax Revenue as Percentage of Total Revenue</th>
<th>Fiscal Year 2003 Tangible Personal Property Tax Revenue</th>
<th>Tangible Personal Property Tax Revenue as Percentage of Total Revenue</th>
<th>Fiscal Year 2003 Income Tax Revenue</th>
<th>Income Tax Revenue as Percentage of Total Revenue</th>
<th>Fiscal Year 2003 Revenue from Grants and Other Non-Tax Sources</th>
<th>Revenue from Grants and Other Non-Tax Sources as Percentage of Total Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$38,626,053</td>
<td>58.4%</td>
<td>$12,575,699</td>
<td>19.0%</td>
<td>$0</td>
<td>0.0%</td>
<td>$14,905,960</td>
<td>22.5%</td>
</tr>
<tr>
<td>2</td>
<td>$1,174,291</td>
<td>18.7%</td>
<td>$712,402</td>
<td>11.4%</td>
<td>$0</td>
<td>0.0%</td>
<td>$4,376,212</td>
<td>69.9%</td>
</tr>
<tr>
<td>3</td>
<td>$11,512,367</td>
<td>71.7%</td>
<td>$663,549</td>
<td>4.1%</td>
<td>$0</td>
<td>0.0%</td>
<td>$3,884,323</td>
<td>24.2%</td>
</tr>
<tr>
<td>4</td>
<td>$5,758,799</td>
<td>35.8%</td>
<td>$1,882,402</td>
<td>11.7%</td>
<td>$127,902</td>
<td>0.8%</td>
<td>$8,310,160</td>
<td>51.7%</td>
</tr>
<tr>
<td>5</td>
<td>$2,726,364</td>
<td>18.7%</td>
<td>$238,609</td>
<td>1.6%</td>
<td>$0</td>
<td>0.0%</td>
<td>$11,604,170</td>
<td>79.6%</td>
</tr>
<tr>
<td>6</td>
<td>$2,062,780</td>
<td>26.9%</td>
<td>$1,063,563</td>
<td>13.9%</td>
<td>$0</td>
<td>0.0%</td>
<td>$4,536,671</td>
<td>59.2%</td>
</tr>
<tr>
<td>7</td>
<td>$6,068,985</td>
<td>26.0%</td>
<td>$2,706,739</td>
<td>11.6%</td>
<td>$1,700,669</td>
<td>7.3%</td>
<td>$12,873,680</td>
<td>55.1%</td>
</tr>
<tr>
<td>8</td>
<td>$2,420,741</td>
<td>32.0%</td>
<td>$305,325</td>
<td>4.0%</td>
<td>$0</td>
<td>0.0%</td>
<td>$4,849,715</td>
<td>64.0%</td>
</tr>
<tr>
<td>9</td>
<td>$2,536,961</td>
<td>18.0%</td>
<td>$1,833,639</td>
<td>13.0%</td>
<td>$1,563,825</td>
<td>11.1%</td>
<td>$8,149,203</td>
<td>57.9%</td>
</tr>
<tr>
<td>10</td>
<td>$68,163,606</td>
<td>60.7%</td>
<td>$7,101,671</td>
<td>6.3%</td>
<td>$0</td>
<td>0.0%</td>
<td>$37,025,313</td>
<td>33.0%</td>
</tr>
<tr>
<td>11</td>
<td>$17,008,710</td>
<td>75.3%</td>
<td>$1,182,798</td>
<td>5.2%</td>
<td>$0</td>
<td>0.0%</td>
<td>$4,394,336</td>
<td>19.5%</td>
</tr>
<tr>
<td>12</td>
<td>$4,722,279</td>
<td>45.9%</td>
<td>$903,764</td>
<td>8.8%</td>
<td>$0</td>
<td>0.0%</td>
<td>$4,658,834</td>
<td>45.3%</td>
</tr>
<tr>
<td>13</td>
<td>$8,809,179</td>
<td>32.8%</td>
<td>$4,972,410</td>
<td>18.5%</td>
<td>$0</td>
<td>0.0%</td>
<td>$13,039,180</td>
<td>48.6%</td>
</tr>
<tr>
<td>14</td>
<td>$1,962,902</td>
<td>15.7%</td>
<td>$1,086,266</td>
<td>8.7%</td>
<td>$0</td>
<td>0.0%</td>
<td>$9,424,756</td>
<td>75.6%</td>
</tr>
<tr>
<td>15</td>
<td>$2,822,844</td>
<td>14.2%</td>
<td>$360,333</td>
<td>1.8%</td>
<td>$0</td>
<td>0.0%</td>
<td>$16,702,242</td>
<td>84.0%</td>
</tr>
<tr>
<td>Mean</td>
<td>$11,758,457</td>
<td></td>
<td>$2,505,945</td>
<td></td>
<td>$0</td>
<td>0.0%</td>
<td>$10,582,317</td>
<td></td>
</tr>
<tr>
<td>Median</td>
<td>$4,722,279</td>
<td></td>
<td>$1,086,266</td>
<td></td>
<td>$0</td>
<td>0.0%</td>
<td>$8,310,160</td>
<td>55.1%</td>
</tr>
</tbody>
</table>

a (Ohio Department of Education, 2004a)
million, two (13.3%) received $10 million to less than $20 million, one (6.7%) received $20 million to less than $50 million, and one (6.7%) received $50 million or more.

**Real Estate Tax Revenue as a Percentage of Total Revenue**

Real estate tax revenue ranged from 14.2% to 75.3% of total revenue, with a median of 32.0%. Five (33.3%) school districts' real estate tax revenue was less than 20% of their total revenue, six (40.0%) districts' real estate tax revenue was 20% to less than 50% of their total revenue, and four (26.7%) districts' real estate tax revenue was 50% to 76% of their total revenue.

**Tangible Personal Property Tax Revenue**

The range of tangible property tax revenue received by the 15 school districts in fiscal year 2003 ranged from $238,000 to $12.6 million (Ohio Department of Education, 2004b), with a mean of $2.5 million and a median of $1.1 million. Three (20.0%) school districts received less than $500,000 in tangible property tax revenues, three (20.0%) received at least $500,000 but less than $1 million in tangible property tax revenue, five (33.3%) received at least $1 million but less than $2 million, two (13.3%) received at least $2 million but less than $5 million, one (6.7%) received at least $5 million but less than $10 million, and one (6.7%) received $10 million or more.

**Tangible Personal Property Tax Revenue as a Percentage of Total Revenue**

Tangible personal property tax revenue ranged from 1.6% to 19.0% of total revenue, with a median of 8.8%. Four (26.7%) of the school districts' tangible personal
property tax revenues were less than 5% of their total revenues, four (26.7%) districts' tangible personal property tax revenues were 5% to less than 10% of their total revenues, five (33.3%) were 10% to less than 15% of total revenues, and two (13.3%) were between 15% and 19% of total revenues.

*Income Tax Revenue*

Only three (20%) of the 15 school districts received proceeds from a school district income tax in fiscal year 2003. Those proceeds totaled $128,000, $1.6 million, and $1.7 million, respectively.

*Income Tax Revenue as a Percentage of Total Revenue*

Income tax revenue as a percentage of total revenue ranged from 0% to 11.1%. Income tax revenues as a percentage of total revenue for the three school districts that had an income tax were 0.8%, 7.3%, and 11.1%, respectively.

*Grants and Other Non-tax Sources of Revenue*

Grants and other non-tax sources of revenue for the 15 school districts in fiscal year 2003 ranged from $3.9 million to $37.0 million, with a mean of $10.6 million and a median of $8.3 million. Grants and other non-tax sources of revenue include federal and state grants, proceeds from business-like operations, and fees. Six (40.0%) school districts received less than $5 million in revenue from grants and other non-tax sources, three (20.0%) received at least $5 million but less than $10 million from grants and other non-tax sources, four (26.6%) received at least $10 million but less than $15 million
from grants and other non-tax sources, one (6.7%) received at least $15 million but less
than $20 million from grants and other non-tax sources, and one (6.7%) received at least
$20 million or more in revenue from grants and other non-tax sources.

Grants and Other Non-tax Sources of Revenue as a Percentage of Total Revenue

Grants and other non-tax sources of revenue ranged from 19.5% to 84.0% of
total revenue, with a median of 55.1%. Three (20%) school districts' revenues from
grants and other non-tax sources were less than 25% of total revenues, three (20%)
districts' revenues from grants and other non-tax sources were 25% to less than 50% of
total revenues, six (40%) districts' revenues from grants and other non-tax sources were
from 50% to less than 75% of total revenues, and three (20%) districts' revenues from
grants and other non-tax sources were from 75% to 84% of total revenues.
CHAPTER VI

FINDINGS

The treasurers participating in the study were asked a series of 10 questions, with most questions containing subparts, during a telephone interview. The treasurers were mailed the questions approximately a week in advance of the interviews and were asked to review the questions and any school district records that might assist them in answering the questions. The interviewer adhered to the list of questions, but encouraged the treasurers to expound in their answers.

Question 1

To the question: “Has Governmental Accounting Standards Board (GASB) Statement No. 34 brought about any changes in the way that your school district prepares its comprehensive annual financial report (CAFR)?” treasurers of 7 of the 15 school districts in the study said that the way they dealt with fixed assets changed. The changes ranged from reviewing and appraising all fixed assets, to including and capitalizing major repairs of fixed assets for the first time, to improving the thoroughness and accuracy of fixed assets, to depreciating fixed assets for the first time. Seven districts reported that they increased the threshold value for reporting fixed assets, several on the advice of LGS, to simplify their financial reporting. The lowest threshold prior to change was $100 and the highest threshold after the change was $2,000, according to the treasurers. State law in Ohio requires school districts to set their asset reporting...
threshold to capture at least 80% of the value of all the district’s assets. Two districts that did not increase their thresholds in the year of implementation had increased them several years previously. One district that did not increase its threshold chose to keep it at the same level to maintain closer scrutiny of its assets. Another district, which increased its threshold for financial reporting purposes, maintained its previous lower threshold for internal control purposes.

Other changes noted by the treasurers were reporting assets by function as well as fund, reporting only major funds individually, including a Statement of Net Assets and a Statement of Activities in the report, restating prior year financial information, including an extra step in the preparation process to convert cash-basis financial statements to full-accrual statements, and spending additional time determining the proper reporting of various federal and state grant revenues. Two districts chose also to implement a CAFR, rather than produce general financial statements, in the year they implemented GASB Statement No. 34. The treasurers said they believed instituting a CAFR was a logical progression given the amount and type of information they were required to report under GASB Statement No. 34.

To the question, “Does your school district keep two sets of books, restate financial information, or do anything else that it did not do prior to GASB Statement No. 34?“ treasurers in all 15 districts said they do not keep two sets of books. All of the districts converted their cash-basis financial statements during the reporting process, as they had been doing since Ohio mandated generally accepted accounting principles (GAAP) reporting in the 1990s. Several of the treasurers in the study said that they early implemented GASB Statement No. 34 because the Ohio Auditor’s Office offered to do
the extra work in the conversions that GASB Statement No. 34 would require for little or no extra cost in the first year if their districts would implement early. Two treasurers noted that though they do not keep two sets of books for financial reporting, they do keep special files or a box in which they place records throughout the year that will be needed in the conversion process.

Thirteen of the districts reported using LGS to convert their cash-based financial records. One treasurer, a former LGS employee, did the conversion with assistance from LGS officials; another used assistance from LGS for the conversion; and a third used a public accounting firm. As noted earlier, the State Auditor's Office determines whether a school district must use its services for the district's audit or will be "released" to seek an auditor. However, school districts may do the conversions themselves rather than hire LGS. Several treasurers noted that in addition to doing their conversions, LGS provided the information the treasurers needed to write the Management Discussion and Analysis (MD&A).

Question 2

In response to the question, "Has GASB Statement No. 34 resulted in any changes in the use of resources or amount of resources used in preparing your school district's CAFR?" all the treasurers said that there had been some increase in resource use. The estimates of extra time the treasurers and their staff spent on the annual financial reports as a result of GASB Statement No. 34 ranged from a few hours to 400 hours. Seven districts reported that the number of extra hours was either small or unestimatable. Two districts reported approximately 20 hours of additional work, two
districts reported 40 hours of additional work, one reported 120 hours of additional work, and two districts reported up to 400 hours of additional work. These hours were only for school district employees and did not include the extra hours spent by LGS or an accounting firm in doing the conversions. Most of the extra hours were spent on fixed assets records, though two treasurers estimated they spent approximately 20 hours gathering information for and writing the MD&A. The treasurers said that most of the extra time spent on the report was their own, rather than their staff's, noting that the treasurers are not compensated for extra hours worked.

All of the districts reported increased costs for the audit of their financial report in the year of implementation. These extra costs resulted from the additional time auditors spent auditing the financial information required in the annual financial report by GASB Statement No. 34. The treasurers generally estimated the extra costs to be $3,000 to $4,000, though two estimates put the extra costs at $6,000 and $9,000, respectively. Another district spent an additional $2,500 in the year of implementation for appraisal of its assets to accurately report its assets and depreciation as required by GASB Statement No. 34.

In response to the question, "Have the benefits derived from GASB Statement No. 34 been sufficient to justify the costs associated with it?" treasurers in 10 districts said, "No." These treasurers said that the information, including the MD&A, is not read by the public, and seldom, if ever, read by the school district boards or school district administration. One treasurer said that the treasurer’s job is to help the school board and district administration, but GASB Statement No. 34, by increasing the district’s cost of
conversion and audit each year without providing useful information, was taking away
from that effort.

Three of the treasurers conceded that GASB Statement No. 34 might lower the
interest rate for bonds their districts might issue, but said they still did not consider
GASB Statement No. 34 cost effective. One district used its compliance with GASB
Statement No. 34 and unqualified auditor’s opinions to gain voter passage of a millage
issue, but the district’s treasurer said, in spite of that, GASB Statement No. 34 is not
cost beneficial. In another school district, the treasurer said that the district might be able
to use GASB Statement No. 34 information in future millage campaigns, but even so,
GASB Statement No. 34 is not cost beneficial. One treasurer said that including GASB
Statement No. 34 information in a school district’s annual report makes the school
district appear more progressive and school treasurers, as a group, more professional.
Despite this, GASB Statement No. 34’s cost still outweighs its benefits, the treasurer
said. Several treasurers mentioned that cash-basis accounting is what school boards, the
public, and bargaining units are accustomed to, and they have little knowledge of or
concern about any other type of financial reporting.

Two treasurers questioned the wisdom of school districts depreciating fixed
assets, noting that depreciation lowers the net income of businesses, and thus decreases
their income tax liability, but school districts are government entities and, therefore, have
no income tax liability. Several treasurers also questioned the meaningfulness of showing
the depreciation of school buildings in use that, in some cases, are between 50 and 100
years old.
Treasurers in five districts said that GASB Statement No. 34 information is cost beneficial. One of the districts was small in terms of total revenue, three were medium-sized, and one wasy large, as shown in Table 7.

Table 7

*Statement No. 34 Cost Beneficial, by School District Total Revenue*

<table>
<thead>
<tr>
<th>Total Revenue</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤ $10 million</td>
<td>1</td>
<td>33%</td>
<td>2</td>
<td>67%</td>
<td>3</td>
</tr>
<tr>
<td>&gt; $10 million, but &lt; $100 million</td>
<td>3</td>
<td>27%</td>
<td>8</td>
<td>73%</td>
<td>11</td>
</tr>
<tr>
<td>≥ $100 million</td>
<td>1</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>1</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>5</strong></td>
<td><strong>33%</strong></td>
<td><strong>10</strong></td>
<td><strong>67%</strong></td>
<td><strong>15</strong></td>
</tr>
</tbody>
</table>

In terms of average daily membership (ADM), two of the districts were small, none small-medium, one medium, one large-medium, and one large, as shown in Table 8.

Table 8

*Statement No. 34 Cost Beneficial, by School District Average Daily Membership*

<table>
<thead>
<tr>
<th>School District Size</th>
<th>Average Daily Membership</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>1,000 – 1,999</td>
<td>2</td>
<td>40%</td>
<td>3</td>
<td>60%</td>
<td>5</td>
</tr>
<tr>
<td>Small-medium</td>
<td>2,000 – 2,999</td>
<td>0</td>
<td>0%</td>
<td>5</td>
<td>100%</td>
<td>5</td>
</tr>
<tr>
<td>Medium</td>
<td>3,000 – 4,999</td>
<td>1</td>
<td>33%</td>
<td>2</td>
<td>67%</td>
<td>3</td>
</tr>
<tr>
<td>Large-medium</td>
<td>5,000 – 7,999</td>
<td>1</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>1</td>
</tr>
<tr>
<td>Large</td>
<td>8,000 – 13,999</td>
<td>1</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>1</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>5</strong></td>
<td><strong>33%</strong></td>
<td><strong>10</strong></td>
<td><strong>67%</strong></td>
<td><strong>15</strong></td>
</tr>
</tbody>
</table>
All of them said that the MD&A makes the most important financial information about a school district understandable to and convenient for a reader without a financial background, as well as for readers with a financial background. One treasurer said that another positive contribution of GASB Statement No. 34 is the requirement for a Statement of Net Assets and the Statement of Activities, which provides important information about a school district’s operations during the past year and indicates the direction in which its finances are headed. Another treasurer noted that the district’s school board liked the fact that some financial statements prepared according to GASB Statement No. 34 were in a format similar to that used in business. The treasurer said that the reporting of program revenue and costs could be improved in Ohio by redefining the function codes used to capture the information.

One treasurer said that the criticism that GASB Statement No. 34 information is not being used falls on the shoulders of the school treasurers, at least to some extent. The treasurer said that school treasurers can take steps to publicize the information that GASB Statement No. 34 provides and educate potential readers on how to better read and understand the information. The treasurer said that some school treasurers have little understanding of GASB Statement No. 34. They let LGS or an accounting firm do as much of the conversion to GAAP as possible to minimize their involvement with it. When the school district’s annual report is issued, some treasurers allow the report “to be put on the shelf” without making the school board, school district administration, or public aware of the information in the report or its significance. A treasurer in another school district noted that no one in the school district looks at the district’s annual report except the treasurer, who understood it in the pre-GASB Statement No. 34 format. She,
therefore, sees no improvement in the report with the implementation of GASB Statement No. 34.

Question 3

In response to the question, “Have there been changes in your school district’s financial record keeping as a result of GASB Statement No. 34?” treasurers in 4 districts said there were no changes. Treasurers in all of the other 11 districts said that there had been changes in their fixed assets record-keeping as a result of GASB Statement No. 34. Three treasurers said that there had been major improvements in the accuracy and completeness of their fixed asset records to comply with GASB Statement No. 34. As noted earlier, 2 districts had fixed assets appraised to improve the accuracy and completeness of their records. Specifically, only the “large” school district, based on total school district revenue, and 3 of the 8 “medium-sized” school districts reported no change in financial recordkeeping as a result of GASB Statement No. 34, as shown in Table 9.

Table 9

*Major Improvements in Fixed Asset Records, by School District Total Revenue*

<table>
<thead>
<tr>
<th>Total Revenue</th>
<th>Fixed Assets/Depreciation</th>
<th>%</th>
<th>None</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤ $10 million</td>
<td>3</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>3</td>
</tr>
<tr>
<td>&gt; $10 million, but &lt; $100 million</td>
<td>8</td>
<td>73%</td>
<td>3</td>
<td>27%</td>
<td>11</td>
</tr>
<tr>
<td>≥ $100 million</td>
<td>0</td>
<td>0%</td>
<td>1</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL</td>
<td>11</td>
<td>73%</td>
<td>4</td>
<td>27%</td>
<td>15</td>
</tr>
</tbody>
</table>
However, based on average daily membership, it was the “large” and three of five “small-medium-sized” school districts that reported no change in their financial recordkeeping as a result of GASB Statement No. 34. It would appear that the amount of revenue, rather than number of students, was the better predictor of the answer to this question, as shown in Table 10.

Table 10

*Improvements in Fixed Asset Records, by School District Average Daily Membership*

<table>
<thead>
<tr>
<th>School District Size</th>
<th>Average Daily Membership</th>
<th>Fixed Assets/Depreciation</th>
<th>%</th>
<th>None</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>1,000 - 1,999</td>
<td>5</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>5</td>
</tr>
<tr>
<td>Small-medium</td>
<td>2,000 - 2,999</td>
<td>2</td>
<td>40%</td>
<td>3</td>
<td>60%</td>
<td>5</td>
</tr>
<tr>
<td>Medium</td>
<td>3,000 - 4,999</td>
<td>3</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>3</td>
</tr>
<tr>
<td>Large-medium</td>
<td>5,000 - 7,999</td>
<td>1</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>1</td>
</tr>
<tr>
<td>Large</td>
<td>8,000 - 13,999</td>
<td>0</td>
<td>0%</td>
<td>1</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td>73%</td>
<td>4</td>
<td>27%</td>
<td>15</td>
</tr>
</tbody>
</table>

GASB Statement No. 34 requires reporting program revenue and expenditures. In Ohio, this is done by ascribing a function code to fixed assets so that the revenue and expenditures for programs can be captured in the financial records. The cost of depreciation of the same fixed asset may move from one program to another from year to year if the program using the asset changes. As several treasurers noted, the trigger for this change can be subtle. If the asset stays in the same room but the room is used for
a different program from one year to the next, the cost of depreciation can move from one program to another. If an asset is moved from one room to another within the same building but the rooms are used for different programs, the cost of depreciation can also move from program to program. As a result of GASB Statement No. 34, several treasurers said that they had made an effort to educate faculty and staff for the need to accurately report the existence and location of fixed assets. Another treasurer had tried to impress on the district’s janitorial staff the need to report their moving of assets, such as desks, between rooms or buildings, noting that keeping accurate asset records for four school buildings spread across a 100-square-mile school district is nearly impossible without the help of custodial staff.

Two treasurers said that their districts had changed financial record keeping to better report a comparison of their districts’ original budget, final budget, and actual revenues and expenditures under GASB Statement No. 34. Several treasurers said that reporting original and final budgets in Ohio schools is problematic because the terms are undefined. In the past, according to one treasurer, the State of Ohio made budgeting software available to public school districts that updated school district budgets to match actual revenues and expenditures as the school year progressed. Therefore, a school district’s budget at the end of the school year was actual revenues and expenditures. Though some school districts have abandoned this practice, several treasurers said there is no clear indication what constitutes the original and final budgets in Ohio. For example, one school district uses the tax revenues certified by the County Auditor as the original budget, its treasurer said. However, the County Auditor certifies revenues that go only into the district’s General Fund, so other revenues, such as federal and certain...
state grants, are not included in the County Auditor's certification. Treasurers said that
their districts worked out a solution to what constitutes original and final budgets as best
they could. One treasurer noted that including comparison of original and final budgets
and actual revenues and expenditures had changed the focus from analyzing fluctuations
in revenues and expenditures from year to year to a focus on analyzing how well the
district had predicted its revenues and expenditures at the beginning of the year. Several
treasurers said they could see little reason for this type of analysis, adding that their
districts reported only as much budgetary information as was required. Only two
treasurers said that they, their school boards, or district administrations analyzed the
comparison of original and final budgets and final revenues and expenditures.

One school district also changed its record keeping for long-term debt and
accrued sick leave as a result of GASB Statement No. 34 reporting requirements, its
treasurer said.

In response to the question, "What changes, if any, have there been in record
keeping for capital assets?" treasurers in 11 districts said that they had made changes to
improve the quality and accuracy of asset reporting. These were all of the "small"
districts, seven (64%) of the "medium-sized" districts, and the "large" district, based on
total school district revenue, as shown in Table 11.

Analysis on the basis of average daily membership shows that three (60%)
"small-medium-sized" school districts and one (20%) "small" school district are those
that reported making no changes to record keeping for capital assets as a result of GASB
Statement No. 34, as shown in Table 12.
### Table 11

**Changes Made to Fixed Asset Records, by School District Total Revenue**

<table>
<thead>
<tr>
<th>Total Revenue</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤ $10 million</td>
<td>3</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>3</td>
</tr>
<tr>
<td>&gt; $10 million, but &lt; $100 million</td>
<td>7</td>
<td>64%</td>
<td>4</td>
<td>36%</td>
<td>11</td>
</tr>
<tr>
<td>≥ $100 million</td>
<td>1</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>1</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>11</td>
<td>73%</td>
<td>4</td>
<td>27%</td>
<td>15</td>
</tr>
</tbody>
</table>

### Table 12

**Changes Made to Fixed Asset Records, by School District Average Daily Membership**

<table>
<thead>
<tr>
<th>School District Size</th>
<th>Average Daily Membership</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>1,000 – 1,999</td>
<td>4</td>
<td>80%</td>
<td>1</td>
<td>20%</td>
<td>5</td>
</tr>
<tr>
<td>Small - medium</td>
<td>2,000 – 2,999</td>
<td>2</td>
<td>40%</td>
<td>3</td>
<td>60%</td>
<td>5</td>
</tr>
<tr>
<td>Medium</td>
<td>3,000 – 4,999</td>
<td>3</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>3</td>
</tr>
<tr>
<td>Large - medium</td>
<td>5,000 – 7,999</td>
<td>1</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>1</td>
</tr>
<tr>
<td>Large</td>
<td>8,000 – 13,999</td>
<td>1</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>1</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>11</td>
<td>73%</td>
<td>4</td>
<td>27%</td>
<td>15</td>
<td></td>
</tr>
</tbody>
</table>

Two districts that changed their record keeping reported that they had had their assets appraised; seven had increased their reporting thresholds to simplify reporting and improve record accuracy; one went back through school board minutes to capture information on capital improvements to fixed assets (which had not previously been recorded in the district); one sent periodic inquiries to faculty and staff to determine
whether assets had been moved to a different location; and one increased internal controls over assets to safeguard assets and preserve the accuracy of asset records. Two years after implementing GASB Statement No. 34, one district decided to update its fixed assets records to simplify future reporting according to GASB Statement No. 34 requirements. The treasurer in another school district said it would increase its fixed asset threshold to simplify recordkeeping if the process was not so complicated.

In response to the question, “What changes, if any, have there been in record keeping for the declining value of capital assets (depreciation or alternate methods)?” treasurers of four districts said that their districts began depreciating fixed assets for the first time upon implementation of GASB Statement No. 34. All four districts are “medium-sized,” based total school district revenue, as shown in Table 13.

Table 13

Depreciation of Fixed Assets for the First Time, by School District Total Revenue

<table>
<thead>
<tr>
<th>Total Revenue</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤ $10 million</td>
<td>0</td>
<td>0%</td>
<td>3</td>
<td>100%</td>
<td>3</td>
</tr>
<tr>
<td>&gt; $10 million, but &lt; $100 million</td>
<td>4</td>
<td>36%</td>
<td>7</td>
<td>64%</td>
<td>11</td>
</tr>
<tr>
<td>≥ $100 million</td>
<td>0</td>
<td>0%</td>
<td>1</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL</td>
<td>4</td>
<td>27%</td>
<td>11</td>
<td>73%</td>
<td>15</td>
</tr>
</tbody>
</table>

Based on average daily membership, two of the districts are “small,” one “small-medium,” and one “medium,” as shown in Table 14.
Table 14

Depreciation of Fixed Assets for the First Time, by School District Average Daily Membership

<table>
<thead>
<tr>
<th>School District Size</th>
<th>Average Daily Membership</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>1,000 - 1,999</td>
<td>2</td>
<td>40%</td>
<td>3</td>
<td>60%</td>
<td>5</td>
</tr>
<tr>
<td>Small-medium</td>
<td>2,000 - 2,999</td>
<td>1</td>
<td>20%</td>
<td>4</td>
<td>80%</td>
<td>5</td>
</tr>
<tr>
<td>Medium</td>
<td>3,000 - 4,999</td>
<td>1</td>
<td>33%</td>
<td>2</td>
<td>67%</td>
<td>3</td>
</tr>
<tr>
<td>Large-medium</td>
<td>5,000 - 7,999</td>
<td>0</td>
<td>0%</td>
<td>1</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td>Large</td>
<td>8,000 - 13,999</td>
<td>0</td>
<td>0%</td>
<td>1</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td>4</td>
<td>27%</td>
<td>11</td>
<td>73%</td>
<td>15</td>
</tr>
</tbody>
</table>

This suggests that school districts in the “medium” category in total revenue, somewhat in inverse proportion to their student enrollments, were the most likely to initiate depreciating fixed assets with implementation of GASB Statement No. 34.

A fifth district had been depreciating food service equipment previously, but began depreciating other assets as well when it implemented GASB Statement No. 34. Four of the five treasurers said that their districts began using the depreciation field in the fixed assets software furnished by the State of Ohio when the districts implemented GASB Statement No. 34. The treasurer of a fifth district said the district used a software program purchased from a private vendor to begin keeping depreciation records for fixed assets.
In response to the question, "What changes, if any, have there been in record keeping for long-term debt?" only one treasurer said that there had been changes. That district is "medium-sized" in terms of total revenue, as shown in Table 15.

Table 15

Changes in Long-term Debt Recordkeeping, by School District Total Revenue

<table>
<thead>
<tr>
<th>Total Revenue</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; $10 million</td>
<td>0</td>
<td>0%</td>
<td>3</td>
<td>100%</td>
<td>3</td>
</tr>
<tr>
<td>&gt; $10 million, but &lt; $100 million</td>
<td>1</td>
<td>9%</td>
<td>10</td>
<td>91%</td>
<td>11</td>
</tr>
<tr>
<td>≥ $100 million</td>
<td>0</td>
<td>0%</td>
<td>1</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1</td>
<td>7%</td>
<td>14</td>
<td>93%</td>
<td>15</td>
</tr>
</tbody>
</table>

In terms of average daily membership, the district is "large-medium," as shown in Table 16.

The treasurer said that more detailed records were being kept since implementation of GASB Statement No. 34. Other treasurers noted that either their districts had no long-term debt or that their districts were previously keeping records on long-term debt and that the only change under GASB Statement No. 34 was that they were now reporting not only long-term debt, but also expenditures to service it.

In response to the question, "What changes, if any, have there been in record keeping for program revenues?" only three treasurers said that there had been changes in their districts. The treasurers were from "medium-sized" school districts in terms of total revenue, as shown in Table 17.
Table 16

*Changes in Long-term Debt Recordkeeping, by School District Average Daily Membership*

<table>
<thead>
<tr>
<th>School District Size</th>
<th>Average Daily Membership</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>1,000 – 1,999</td>
<td>0</td>
<td>0%</td>
<td>5</td>
<td>100%</td>
<td>5</td>
</tr>
<tr>
<td>Small-medium</td>
<td>2,000 – 2,999</td>
<td>0</td>
<td>0%</td>
<td>5</td>
<td>100%</td>
<td>5</td>
</tr>
<tr>
<td>Medium</td>
<td>3,000 – 4,999</td>
<td>0</td>
<td>0%</td>
<td>3</td>
<td>100%</td>
<td>3</td>
</tr>
<tr>
<td>Large-medium</td>
<td>5,000 – 7,999</td>
<td>1</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>1</td>
</tr>
<tr>
<td>Large</td>
<td>8,000 – 13,999</td>
<td>0</td>
<td>0%</td>
<td>1</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td>1</td>
<td>7%</td>
<td>14</td>
<td>93%</td>
<td>15</td>
</tr>
</tbody>
</table>

Table 17

*Changes in Program Revenue Recordkeeping, by School District Total Revenue*

<table>
<thead>
<tr>
<th>Total Revenue</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤ $10 million</td>
<td>0</td>
<td>0%</td>
<td>3</td>
<td>100%</td>
<td>3</td>
</tr>
<tr>
<td>&gt; $10 million, but &lt; $100 million</td>
<td>3</td>
<td>27%</td>
<td>8</td>
<td>73%</td>
<td>11</td>
</tr>
<tr>
<td>≥ $100 million</td>
<td>0</td>
<td>0%</td>
<td>1</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>3</td>
<td>20%</td>
<td>12</td>
<td>80%</td>
<td>15</td>
</tr>
</tbody>
</table>

In terms of average daily membership, two districts were “medium-sized” and one was “large-medium,” as shown in Table 18.
Table 18

Changes in Program Revenue Recordkeeping, by School District Average Daily Membership

<table>
<thead>
<tr>
<th>School District Size</th>
<th>Average Daily Membership</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>1,000 - 1,999</td>
<td>0</td>
<td>0%</td>
<td>5</td>
<td>100%</td>
<td>5</td>
</tr>
<tr>
<td>Small-medium</td>
<td>2,000 - 2,999</td>
<td>0</td>
<td>0%</td>
<td>5</td>
<td>100%</td>
<td>5</td>
</tr>
<tr>
<td>Medium</td>
<td>3,000 - 4,999</td>
<td>2</td>
<td>67%</td>
<td>1</td>
<td>33%</td>
<td>3</td>
</tr>
<tr>
<td>Large-medium</td>
<td>5,000 - 7,999</td>
<td>1</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>1</td>
</tr>
<tr>
<td>Large</td>
<td>8,000 - 13,999</td>
<td>0</td>
<td>0%</td>
<td>1</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>3</td>
<td>20%</td>
<td>12</td>
<td>80%</td>
<td>15</td>
</tr>
</tbody>
</table>

Together, these three constituted 75% of all school districts in the two categories. It appears that size of the student body, and to a lesser extent the total revenues of the school district, were related to which districts changed their record keeping for program revenues as a result of implementing GASB Statement No. 34.

One treasurer said that greater attention was paid to program revenues in financial records after implementation. In another district, the treasurer said a computer program was developed to identify and collect accounts receivable, such as for student activity fees. The treasurer in a third district reported reviewing and analyzing state and federal grants to determine how to account properly for the revenues under GASB Statement No. 34. A fourth treasurer said that a database query was written to capture program revenues, but noted that this was not a major change to district record keeping.
In response to the question, "What changes, if any, have there been in record keeping for program costs?" three treasurers said that there had been changes in their districts. In this case, two of the districts reporting changes were "medium-sized" in terms of total school district revenue and one district was "large," as shown in Table 19.

Table 19

Changes in Program Cost Recordkeeping, by School District Total Revenue

<table>
<thead>
<tr>
<th>Total Revenue</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤ $10 million</td>
<td>0</td>
<td>0%</td>
<td>3</td>
<td>100%</td>
<td>3</td>
</tr>
<tr>
<td>&gt; $10 million, but &lt; $100 million</td>
<td>2</td>
<td>18%</td>
<td>9</td>
<td>82%</td>
<td>11</td>
</tr>
<tr>
<td>≥ $100 million</td>
<td>1</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL</td>
<td>3</td>
<td>20%</td>
<td>12</td>
<td>80%</td>
<td>15</td>
</tr>
</tbody>
</table>

There appeared to be no correlation to average daily membership because one each of the school districts was "small," "small-medium," and "large" in terms of average daily membership, as shown in Table 20.

Two treasurers said that they began determining and documenting the programs for which fixed assets were used so that the cost of those assets could be charged to the programs. One treasurer said that keeping track of assets by function resulted in the need to determine whether the cost of the asset needed to be transferred to another program each time that the asset was moved. A third treasurer said that a database query was developed in that school district to capture program costs. In one district, the adult community education program was discontinued when it became apparent that it was a continuing financial drain on the school district.
In response to the question, “What changes, if any, have there been in record keeping for program subsidies?” none of the treasurers noted any, as shown in Tables 21 and 22.

Table 20

Changes in Program Cost Recordkeeping, by School District Average Daily Membership

<table>
<thead>
<tr>
<th>School District Size</th>
<th>Average Daily Membership</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>1,000 - 1,999</td>
<td>1</td>
<td>20%</td>
<td>4</td>
<td>80%</td>
<td>5</td>
</tr>
<tr>
<td>Small-medium</td>
<td>2,000 - 2,999</td>
<td>1</td>
<td>20%</td>
<td>4</td>
<td>80%</td>
<td>5</td>
</tr>
<tr>
<td>Medium</td>
<td>3,000 - 4,999</td>
<td>0</td>
<td>0%</td>
<td>3</td>
<td>100%</td>
<td>3</td>
</tr>
<tr>
<td>Large-medium</td>
<td>5,000 - 7,999</td>
<td>0</td>
<td>0%</td>
<td>1</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td>Large</td>
<td>8,000 - 13,999</td>
<td>1</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>3</td>
<td>20%</td>
<td>12</td>
<td>80%</td>
<td>15</td>
</tr>
</tbody>
</table>

Table 21

Changes in Program Subsidy Recordkeeping, by School District Total Revenue

<table>
<thead>
<tr>
<th>Total Revenue</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤ $10 million</td>
<td>0</td>
<td>0%</td>
<td>3</td>
<td>100%</td>
<td>3</td>
</tr>
<tr>
<td>&gt; $10 million, but &lt; $100 million</td>
<td>0</td>
<td>0%</td>
<td>11</td>
<td>100%</td>
<td>11</td>
</tr>
<tr>
<td>≥ $100 million</td>
<td>0</td>
<td>0%</td>
<td>1</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL</td>
<td>0</td>
<td>0%</td>
<td>15</td>
<td>100%</td>
<td>15</td>
</tr>
</tbody>
</table>
Table 22

*Changes in Program Subsidy Recordkeeping, by School District Average Daily Membership*

<table>
<thead>
<tr>
<th>School District Size</th>
<th>Average Daily Membership</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>1,000 - 1,999</td>
<td>0</td>
<td>0%</td>
<td>5</td>
<td>100%</td>
<td>5</td>
</tr>
<tr>
<td>Small-medium</td>
<td>2,000 - 2,999</td>
<td>0</td>
<td>0%</td>
<td>5</td>
<td>100%</td>
<td>5</td>
</tr>
<tr>
<td>Medium</td>
<td>3,000 - 4,999</td>
<td>0</td>
<td>0%</td>
<td>3</td>
<td>100%</td>
<td>3</td>
</tr>
<tr>
<td>Large-medium</td>
<td>5,000 - 7,999</td>
<td>0</td>
<td>0%</td>
<td>1</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td>Large</td>
<td>8,000 - 13,999</td>
<td>0</td>
<td>0%</td>
<td>1</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td>0</td>
<td>0%</td>
<td>15</td>
<td>100%</td>
<td>15</td>
</tr>
</tbody>
</table>

One treasurer said that program subsidies are more obvious under GASB Statement No. 34, but this information has not affected the school board, district administration, or public. Another treasurer said that the function codes used in Ohio to capture program costs are misleading and, therefore, information about program subsidies is of little use. For example, special education, transportation, and administration are each assigned separate function codes, several treasurers noted. They said that the revenues, costs, and subsidies reported for special education in a district do not include those for transportation and administration, even though transportation is a large component of the cost associated with each student in some districts.

In response to the question, “What changes, if any, have there been in record keeping for budgeted revenues and expenditures?” as noted earlier, three treasurers said
it had resulted in some changes, though one treasurer said the changes were small. There seemed to be little correlation between the treasurers’ answers and total revenue of their school districts or average daily membership. One of the school districts was “small” in terms of total revenue and two were “medium-sized,” as shown in Table 23.

Table 23

Changes in Budgeted Revenue and Expenditure Recordkeeping, by School District Total Revenue

<table>
<thead>
<tr>
<th>Total Revenue</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤ $10 million</td>
<td>1</td>
<td>33%</td>
<td>2</td>
<td>67%</td>
<td>3</td>
</tr>
<tr>
<td>&gt; $10 million, but &lt; $100 million</td>
<td>2</td>
<td>18%</td>
<td>9</td>
<td>82%</td>
<td>11</td>
</tr>
<tr>
<td>≥ $100 million</td>
<td>0</td>
<td>0%</td>
<td>1</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL</td>
<td>3</td>
<td>20%</td>
<td>12</td>
<td>80%</td>
<td>15</td>
</tr>
</tbody>
</table>

In terms of average daily enrollment, one district each was “small,” “small-medium,” and “large-medium,” as shown in Table 24.

Question 4

In response to the question, “Has the way that your school district operates changed in any way other than you have already noted, as a result of GASB Statement No. 34?” four treasurers answered, Yes.” Three were “medium-sized” in terms of total school district revenue and one was “large.” Based on average daily membership, the distribution was nearly uniform, with all but the “small-medium” school district category having one district each that answered, “Yes.”
Table 24

Changes in Budgeted Revenue and Expenditure Recordkeeping, by School District Average Daily Membership

<table>
<thead>
<tr>
<th>School District Size</th>
<th>Average Daily Membership</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small 1,000 - 1,999</td>
<td></td>
<td>1</td>
<td>20%</td>
<td>4</td>
<td>80%</td>
<td>5</td>
</tr>
<tr>
<td>Small-medium 2,000 - 2,999</td>
<td></td>
<td>1</td>
<td>20%</td>
<td>4</td>
<td>80%</td>
<td>5</td>
</tr>
<tr>
<td>Medium 3,000 - 4,999</td>
<td></td>
<td>0</td>
<td>0%</td>
<td>3</td>
<td>100%</td>
<td>3</td>
</tr>
<tr>
<td>Large-medium 5,000 - 7,999</td>
<td></td>
<td>1</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>1</td>
</tr>
<tr>
<td>Large 8,000 - 13,999</td>
<td></td>
<td>0</td>
<td>0%</td>
<td>1</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>3</td>
<td>20%</td>
<td>12</td>
<td>80%</td>
<td>15</td>
</tr>
</tbody>
</table>

One of the treasurers was from the “large” school district, based on total district revenue, and the other three were from the “medium-sized” school districts. However, when the answers were analyzed on the basis of average daily membership, the “small-medium” school districts were the only ones not to have a treasurer answer “Yes.”

The school board and administration in one district has used the GASB Statement No. 34 information to gain a better understanding of its operations, its treasurer said. Another school district, according to its treasurer, has attempted to use the GASB Statement No. 34 information in various ways, such as in negotiations with its bargaining units. GASB Statement No. 34 has not changed the school district operationally, other than providing better information upon which to make decisions, the treasurer said. A third district is more efficient in tracking its fixed assets and has

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improved its receipts process as a result of changes it made to comply with GASB Statement No. 34. In another district, the treasurer noted that the accounting staff is more involved in producing the district’s annual financial report since implementation of a CAFR and GASB Statement No. 34 in the same year. The treasurer estimated that staff spent 100 additional hours working on the annual report. The amount of time the treasurer spent on the report increased also, though the treasurer could not estimate how much. Since implementing GASB Statement No. 34, the treasurer began monitoring the delinquency rate in property tax collections and the county government’s debt load to obtain an early estimate of school district revenues in the coming months.

Question 5

In response to the question, “What are the major changes in appearance of your school district’s CAFR as a result of GASB Statement No. 34?” 14 treasurers named the MD&A. The only treasurer that did not concur was from a “medium-sized” district, based on both total school district revenue and average daily membership, as shown in Tables 25 and 26.

Several said that the MD&A provides school districts an opportunity to present the important financial information about the school district in a way that persons without a financial background can understand. Two treasurers said that school districts should strive to present information in the MD&A in the most reader friendly way possible, by using graphics such as charts and tables to make the annual report more useful to readers, rather than just meeting minimum requirements for the MD&A.
Table 25

**MD&A Was Major Change in Appearance of Annual Financial Report, by School District Total Revenue**

<table>
<thead>
<tr>
<th>Total Revenue</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;= $10 million</td>
<td>3</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>3</td>
</tr>
<tr>
<td>&gt; $10 million, but &lt; $100 million</td>
<td>10</td>
<td>91%</td>
<td>1</td>
<td>9%</td>
<td>11</td>
</tr>
<tr>
<td>&gt;= $100 million</td>
<td>1</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL</td>
<td>14</td>
<td>93%</td>
<td>1</td>
<td>7%</td>
<td>15</td>
</tr>
</tbody>
</table>

Table 26

**MD&A Was Major Change in Appearance of Annual Financial Report, by School District Average Daily Membership**

<table>
<thead>
<tr>
<th>School District Size</th>
<th>Average Daily Membership</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>1,000 - 1,999</td>
<td>5</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>5</td>
</tr>
<tr>
<td>Small-medium</td>
<td>2,000 - 2,999</td>
<td>5</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>5</td>
</tr>
<tr>
<td>Medium</td>
<td>3,000 - 4,999</td>
<td>2</td>
<td>67%</td>
<td>1</td>
<td>33%</td>
<td>3</td>
</tr>
<tr>
<td>Large-medium</td>
<td>5,000 - 7,999</td>
<td>1</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>1</td>
</tr>
<tr>
<td>Large</td>
<td>8,000 - 13,999</td>
<td>1</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL</td>
<td>14</td>
<td>93%</td>
<td>1</td>
<td>7%</td>
<td>15</td>
<td></td>
</tr>
</tbody>
</table>

Five treasurers named the Statement of Activities as a major change, though one treasurer said that the information is not used by annual report readers. Four of the
treasurers were from “medium-sized” school districts, based on total school district revenue, and one was from a “small district,” as shown in Table 27.

Table 27

Statement of Activities Was Major Change in Appearance of Annual Financial Report, by School District Total Revenue

<table>
<thead>
<tr>
<th>Total Revenue</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤ $10 million</td>
<td>1</td>
<td>33%</td>
<td>2</td>
<td>67%</td>
<td>3</td>
</tr>
<tr>
<td>$10 million, but &lt; $100 million</td>
<td>4</td>
<td>36%</td>
<td>7</td>
<td>64%</td>
<td>11</td>
</tr>
<tr>
<td>≥ $100 million</td>
<td>0</td>
<td>0%</td>
<td>1</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL</td>
<td>5</td>
<td>33%</td>
<td>10</td>
<td>67%</td>
<td>15</td>
</tr>
</tbody>
</table>

Based on average daily membership, one of the five districts was “small,” two were “small-medium,” and one each was “medium” and “large-medium,” as shown in Table 28.

It appears that medium-sized districts, based both on total revenue and student enrollment, were those for which the Statement of Activities was a major change.

Five treasurers said that the reporting of minor funds on a combined basis, rather than individually, was a major change. Two were treasurers from “small” school districts, based on total school district revenue, and three were from “medium-sized” districts, as shown in Table 29.

Based on average daily membership, two of the districts were “small,” two were “small-medium,” and one was “medium,” as shown in Table 30.
Table 28

Statement of Activities Was Major Change in Appearance of Annual Financial Report, by School District Average Daily Membership

<table>
<thead>
<tr>
<th>School District Size</th>
<th>Average Daily Membership</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>1,000 - 1,999</td>
<td>1</td>
<td>20%</td>
<td>4</td>
<td>80%</td>
<td>5</td>
</tr>
<tr>
<td>Small-medium</td>
<td>2,000 - 2,999</td>
<td>2</td>
<td>40%</td>
<td>3</td>
<td>60%</td>
<td>5</td>
</tr>
<tr>
<td>Medium</td>
<td>3,000 - 4,999</td>
<td>1</td>
<td>33%</td>
<td>2</td>
<td>67%</td>
<td>3</td>
</tr>
<tr>
<td>Large-medium</td>
<td>5,000 - 7,999</td>
<td>1</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>1</td>
</tr>
<tr>
<td>Large</td>
<td>8,000 - 13,999</td>
<td>0</td>
<td>0%</td>
<td>1</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>5</td>
<td>33%</td>
<td>10</td>
<td>67%</td>
<td>15</td>
</tr>
</tbody>
</table>

Table 29

Combined Reporting of Minor Funds Was Major Change in Appearance of Annual Financial Report, by School District Total Revenue

<table>
<thead>
<tr>
<th>Total Revenue</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤ $10 million</td>
<td>2</td>
<td>67%</td>
<td>1</td>
<td>33%</td>
<td>3</td>
</tr>
<tr>
<td>&gt; $10 million, but &lt; 100 million</td>
<td>3</td>
<td>27%</td>
<td>8</td>
<td>73%</td>
<td>11</td>
</tr>
<tr>
<td>≥ 100 million</td>
<td>0</td>
<td>0%</td>
<td>1</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL</td>
<td>5</td>
<td>33%</td>
<td>10</td>
<td>67%</td>
<td>15</td>
</tr>
</tbody>
</table>
Table 30

Combined Reporting of Minor Funds Was Major Change in Appearance of Annual Financial Report, by School District Average Daily Membership

<table>
<thead>
<tr>
<th>School District Size</th>
<th>Average Daily Membership</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small 1,000 - 1,999</td>
<td>2</td>
<td>40%</td>
<td>3</td>
<td>60%</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Small-medium 2,000 - 2,999</td>
<td>2</td>
<td>40%</td>
<td>3</td>
<td>60%</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Medium 3,000 - 4,999</td>
<td>1</td>
<td>33%</td>
<td>2</td>
<td>67%</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Large-medium 5,000 - 7,999</td>
<td>0</td>
<td>0%</td>
<td>1</td>
<td>100%</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Large 8,000 - 13,999</td>
<td>0</td>
<td>0%</td>
<td>1</td>
<td>100%</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>5</td>
<td>33%</td>
<td>10</td>
<td>67%</td>
<td>15</td>
<td></td>
</tr>
</tbody>
</table>

The combining of minor funds seems to have been of greater importance proportionally to the smaller districts, both in terms of revenue and student enrollment, than to the larger districts.

Three treasurers said that the Statement of Net Assets was a major change. All three treasurers were from “medium-sized” districts in terms of total school district revenue, as shown in Table 31.

In terms of average daily membership, two treasurers were from “small-medium” school districts, and one was from a “larg-medium” school district, as shown in Table 32.

“Medium-sized” districts in terms of total school district revenue appear to been impacted more by the Statement of Net Assets requirement than other districts.
Table 31

Statement of Net Assets Was Major Change in Appearance of Annual Financial Report, by School District Total Revenue

<table>
<thead>
<tr>
<th>Total Revenue</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤ $10 million</td>
<td>0</td>
<td>0%</td>
<td>3</td>
<td>100%</td>
<td>3</td>
</tr>
<tr>
<td>&gt; $10 million, but &lt; $100 million</td>
<td>3</td>
<td>27%</td>
<td>8</td>
<td>73%</td>
<td>11</td>
</tr>
<tr>
<td>≥ $100 million</td>
<td>0</td>
<td>0%</td>
<td>1</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL</td>
<td>3</td>
<td>20%</td>
<td>12</td>
<td>80%</td>
<td>15</td>
</tr>
</tbody>
</table>

Table 32

Statement of Net Assets Was Major Change in Appearance of Annual Financial Report, by School District Average Daily Membership

<table>
<thead>
<tr>
<th>School District Size</th>
<th>Average Daily Membership</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>1,000 - 1,999</td>
<td>0</td>
<td>0%</td>
<td>5</td>
<td>100%</td>
<td>5</td>
</tr>
<tr>
<td>Small-medium</td>
<td>2,000 - 2,999</td>
<td>2</td>
<td>40%</td>
<td>3</td>
<td>60%</td>
<td>5</td>
</tr>
<tr>
<td>Medium</td>
<td>3,000 - 4,999</td>
<td>0</td>
<td>0%</td>
<td>3</td>
<td>100%</td>
<td>3</td>
</tr>
<tr>
<td>Large-medium</td>
<td>5,000 - 7,999</td>
<td>1</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>1</td>
</tr>
<tr>
<td>Large</td>
<td>8,000 - 13,999</td>
<td>0</td>
<td>0%</td>
<td>1</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL</td>
<td>3</td>
<td>20%</td>
<td>12</td>
<td>80%</td>
<td>15</td>
<td></td>
</tr>
</tbody>
</table>

One of the four treasurers questioned the value of the information in the Statement of Net Assets. He said that the major net asset in a school district is usually cash. The amount of cash a school district receives is dependent upon student enrollment.
because federal and state grants increase with enrollment. The school district has little control over student enrollment, the treasurer noted.

Two treasurers said that the information included in the Notes section under GASB Statement No. 34 was a major change. One treasurer was from a "small" district, based on total school district revenue, and the other treasurer was from a "medium-sized" school district, as shown in Table 33.

Table 33

Information in Notes Section Was Major Change in Appearance of Annual Financial Report, by School District Total Revenue

<table>
<thead>
<tr>
<th>Total Revenue</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤ $10 million</td>
<td>1</td>
<td>33%</td>
<td>2</td>
<td>67%</td>
<td>3</td>
</tr>
<tr>
<td>&gt; $10 million, but &lt; $100 million</td>
<td>1</td>
<td>9%</td>
<td>10</td>
<td>91%</td>
<td>11</td>
</tr>
<tr>
<td>≥ $100 million</td>
<td>0</td>
<td>0%</td>
<td>1</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL</td>
<td>2</td>
<td>13%</td>
<td>13</td>
<td>87%</td>
<td>15</td>
</tr>
</tbody>
</table>

Based on average daily membership, one treasurer was from a "small" school district and the other from a "small-medium" school district, as shown in Table 34.

It appears that GASB Statement No. 34 requirements for the Notes section of the annual financial report had their greatest impact on smaller districts in terms of total revenue and student enrollment.
Table 34

*Information in Notes Section Was Major Change in Appearance of Annual Financial Report, by School District Average Daily Membership*

<table>
<thead>
<tr>
<th>School District Size</th>
<th>Average Daily Membership</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>1,000 - 1,999</td>
<td>1</td>
<td>20%</td>
<td>4</td>
<td>80%</td>
<td>5</td>
</tr>
<tr>
<td>Small-medium</td>
<td>2,000 - 2,999</td>
<td>1</td>
<td>20%</td>
<td>4</td>
<td>80%</td>
<td>5</td>
</tr>
<tr>
<td>Medium</td>
<td>3,000 - 4,999</td>
<td>0</td>
<td>0%</td>
<td>3</td>
<td>100%</td>
<td>3</td>
</tr>
<tr>
<td>Large-medium</td>
<td>5,000 - 7,999</td>
<td>0</td>
<td>0%</td>
<td>1</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td>Large</td>
<td>8,000 - 13,999</td>
<td>0</td>
<td>0%</td>
<td>1</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td>2</td>
<td>13%</td>
<td>13</td>
<td>87%</td>
<td>15</td>
</tr>
</tbody>
</table>

One treasurer said that the use of full-accrual accounting was a major change. The treasurer was from a school district that was “medium-sized,” both in terms of total school district revenue and average daily membership, as shown in Tables 35 and 36.

The treasurer was from a school district that was “medium-sized,” both in terms of total school district revenue and average daily membership.

Another treasurer said that it was all of the changes named in the question taken in totality, rather than one specific change, that was the greatest change brought about by GASB Statement No. 34. This treasurer was from a “medium-sized” school district in terms of total school district revenue and “small-medium” district in terms of average daily membership. The treasurer noted that a CAFR compliant with GASB Statement No. 34 is more thorough and presents the overall picture to the reader more accurately.
Table 35

*Full Accrual Accounting Was Major Change in Appearance of Annual Financial Report, by School District Total Revenue*

<table>
<thead>
<tr>
<th>Total Revenue</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤ $10 million</td>
<td>0</td>
<td>0%</td>
<td>3</td>
<td>100%</td>
<td>3</td>
</tr>
<tr>
<td>&gt; $10 million, but &lt; $100 million</td>
<td>1</td>
<td>9%</td>
<td>10</td>
<td>91%</td>
<td>11</td>
</tr>
<tr>
<td>≥ $100 million</td>
<td>0</td>
<td>0%</td>
<td>1</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>1</td>
<td>7%</td>
<td>14</td>
<td>93%</td>
<td>15</td>
</tr>
</tbody>
</table>

Table 36

*Full Accrual Accounting Was Major Change in Appearance of Annual Financial Report, by School District Average Daily Membership*

<table>
<thead>
<tr>
<th>School District Size</th>
<th>Average Daily Membership</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>1,000 - 1,999</td>
<td>0</td>
<td>0%</td>
<td>5</td>
<td>100%</td>
<td>5</td>
</tr>
<tr>
<td>Small-medium</td>
<td>2,000 - 2,999</td>
<td>0</td>
<td>0%</td>
<td>5</td>
<td>100%</td>
<td>5</td>
</tr>
<tr>
<td>Medium</td>
<td>3,000 - 4,999</td>
<td>1</td>
<td>33%</td>
<td>2</td>
<td>67%</td>
<td>3</td>
</tr>
<tr>
<td>Large-medium</td>
<td>5,000 - 7,999</td>
<td>0</td>
<td>0%</td>
<td>1</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td>Large</td>
<td>8,000 - 13,999</td>
<td>0</td>
<td>0%</td>
<td>1</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>1</td>
<td>7%</td>
<td>14</td>
<td>93%</td>
<td>15</td>
<td></td>
</tr>
</tbody>
</table>

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Question 6

In this question, the treasurers were presented a list of eight changes in an annual financial report and asked, “Of the following changes that GASB Statement No. 34 requires, which do you consider to have the most significance and why?” Several treasurers said that more than one item on the list presented for their comment was “most significant.”

In response to Item A on the list, “A Management Discussion and Analysis Section that provides summary financial information and non-technical explanation of the school district’s financial condition,” treasurers in 12 districts said that this was most significant. Treasurers in 2 of 3 small districts, 9 of 11 medium-sized districts, and the 1 large district in terms of total revenues said the MD&A was “most significant,” as shown in Table 37.

Table 37

<table>
<thead>
<tr>
<th>MD&amp;A Was Important Change, by School District Total Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Revenue</strong></td>
</tr>
<tr>
<td>-------------------</td>
</tr>
<tr>
<td>≤ $10 million</td>
</tr>
<tr>
<td>&gt; $10 million, but &lt; $100 million</td>
</tr>
<tr>
<td>≥ $100 million</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
</tr>
</tbody>
</table>
Treasurers in three of five small-sized school districts, four of five small-medium sized districts, all three medium-sized districts, the one large-medium sized district, and the one large district in terms of average daily membership said that the MD&A was "most significant," as shown in Table 38.

Table 38

**MD&A Was Important Change, by School District Average Daily Membership**

<table>
<thead>
<tr>
<th>School District Size</th>
<th>Average Daily Membership</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>1,000 - 1,999</td>
<td>3</td>
<td>60%</td>
<td>2</td>
<td>40%</td>
<td>5</td>
</tr>
<tr>
<td>Small-medium</td>
<td>2,000 - 2,999</td>
<td>4</td>
<td>80%</td>
<td>1</td>
<td>20%</td>
<td>5</td>
</tr>
<tr>
<td>Medium</td>
<td>3,000 - 4,999</td>
<td>3</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>3</td>
</tr>
<tr>
<td>Large-medium</td>
<td>5,000 - 7,999</td>
<td>1</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>1</td>
</tr>
<tr>
<td>Large</td>
<td>8,000 - 13,999</td>
<td>1</td>
<td>100%</td>
<td>0</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>12</strong></td>
<td><strong>3</strong></td>
<td><strong>80%</strong></td>
<td><strong>20%</strong></td>
<td><strong>15</strong></td>
<td></td>
</tr>
</tbody>
</table>

They said that the MD&A is significant because it concisely presents the most important information from the annual report in a reader-friendly format that people without a financial background can understand. One treasurer, after expressing this view, said the MD&A is not worth the effort. The public's interest lies with what directly affects their children, such as whether their children will be bussed and whether there will be a school cafeteria, not with the financial statements of the district. Another treasurer said that although she believes that the MD&A is good because it makes one think a little
more about school district finances, not one school district treasurer in her county had received any feedback indicating that anyone had read the MD&A. On the other hand, the treasurer of another district said that the MD&A is the section of the annual report that the treasurer's office received the most comments on, indicating that it is being read.

Another treasurer noted that the school district's annual report contains artwork by students in the district. The school board publicly recognizes the students at one school board meeting a year, which is attended by more than 100 family members and friends of the student artists. The treasurer is able to draw information from the MD&A to present to the public at that meeting, which, according to one treasurer, results in a larger number of the citizenry being informed about the district's finances than would otherwise occur.

Treasurers in two districts said that another benefit of the MD&A is that it provides a comparison in operations over a 2-year period and an indication of the direction in which a district is headed. One treasurer noted that growth in the school district has resulted in schools that are at capacity, so additional money for building and operating schools will be needed. This is clearly laid out in the MD&A of the district's annual report, which may be of benefit when the district seeks voter approval of additional taxes.

In response to Item B on the list, "A district-wide Statement of Net Assets that includes capital assets and long-term debt," treasurers in two districts said this was "most significant." Both treasurers were from school districts that were medium-sized in terms of total revenue, as shown in Table 39.
Table 39

*Statement of Net Assets Was Important Change, by School District Total Revenue*

<table>
<thead>
<tr>
<th>Total Revenue</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤ $10 million</td>
<td>0</td>
<td>0%</td>
<td>3</td>
<td>100%</td>
<td>3</td>
</tr>
<tr>
<td>&gt; $10 million, but &lt; $100 million</td>
<td>2</td>
<td>18%</td>
<td>9</td>
<td>82%</td>
<td>11</td>
</tr>
<tr>
<td>≥ $100 million</td>
<td>0</td>
<td>0%</td>
<td>1</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL</td>
<td>2</td>
<td>13%</td>
<td>13</td>
<td>87%</td>
<td>15</td>
</tr>
</tbody>
</table>

None of the treasurers were from the five small-sized school districts, one was from among the five small-medium sized districts, none were from the three medium-sized districts, one was from the only large-medium sized district, and none was from the one large district in terms of average daily membership, as shown in Table 40.

One treasurer said that the district-wide Statement of Net Assets clearly reveals a district’s financial situation. The other treasurer said that the statement presents the overall financial condition of the district, rather than forcing readers to read through the financial statement for each fund type.

In response to Item C on the list, “A district-wide Statement of Activities that presents program revenues, costs, and subsidies,” treasurers in four districts considered this “most significant.” The treasurers were one of the three from small-sized school districts, three of the eight from medium-sized districts, and none from the one large district in terms of total school district revenues that were in the study, as shown in Table 41.
Table 40

Statement of Net Assets Was Important Change, by School District Average Daily Membership

<table>
<thead>
<tr>
<th>School District Size</th>
<th>Average Daily Membership</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>1,000 - 1,999</td>
<td>0</td>
<td>0%</td>
<td>5</td>
<td>100%</td>
<td>5</td>
</tr>
<tr>
<td>Small-medium</td>
<td>2,000 - 2,999</td>
<td>1</td>
<td>20%</td>
<td>4</td>
<td>80%</td>
<td>5</td>
</tr>
<tr>
<td>Medium</td>
<td>3,000 - 4,999</td>
<td>0</td>
<td>0%</td>
<td>3</td>
<td>100%</td>
<td>3</td>
</tr>
<tr>
<td>Large-medium</td>
<td>5,000 - 7,999</td>
<td>1</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>1</td>
</tr>
<tr>
<td>Large</td>
<td>8,000 - 13,999</td>
<td>0</td>
<td>100%</td>
<td>1</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>2</td>
<td>13%</td>
<td>13</td>
<td>87%</td>
<td>15</td>
</tr>
</tbody>
</table>

Table 41

Statement of Activities Was Important Change, by School District Total Revenue

<table>
<thead>
<tr>
<th>Total Revenue</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤ $10 million</td>
<td>1</td>
<td>33%</td>
<td>2</td>
<td>67%</td>
<td>3</td>
</tr>
<tr>
<td>&gt; $10 million, but &lt;</td>
<td>3</td>
<td>27%</td>
<td>8</td>
<td>73%</td>
<td>11</td>
</tr>
<tr>
<td>≥ $100 million</td>
<td>0</td>
<td>0%</td>
<td>1</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL</td>
<td>4</td>
<td>27%</td>
<td>11</td>
<td>73%</td>
<td>15</td>
</tr>
</tbody>
</table>

Two of the four treasurers were from the five small-sized school districts, one from the five small-medium sized districts, none from the one medium-sized district, one
from the large-medium sized district, and none from the large-sized districts in terms of average daily membership, as shown in Table 42.

Table 42

Statement of Activities Was Important Change, by School District Average Daily Membership

<table>
<thead>
<tr>
<th>School District Size</th>
<th>Average Daily Membership</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small 1,000 - 1,999</td>
<td>2</td>
<td></td>
<td>40%</td>
<td>3</td>
<td>60%</td>
<td>5</td>
</tr>
<tr>
<td>Small-medium 2,000 - 2,999</td>
<td>1</td>
<td></td>
<td>20%</td>
<td>4</td>
<td>80%</td>
<td>5</td>
</tr>
<tr>
<td>Medium 3,000 - 4,999</td>
<td>0</td>
<td></td>
<td>0%</td>
<td>3</td>
<td>100%</td>
<td>3</td>
</tr>
<tr>
<td>Large-medium 5,000 - 7,999</td>
<td>1</td>
<td></td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>1</td>
</tr>
<tr>
<td>Large 8,000 - 13,999</td>
<td>0</td>
<td></td>
<td>0%</td>
<td>1</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL</td>
<td>4</td>
<td></td>
<td>37%</td>
<td>11</td>
<td>63%</td>
<td>15</td>
</tr>
</tbody>
</table>

One treasurer said that the Statement of Activities is one of the best uses of the CAFR. Another treasurer said that the statement is important because it enables the district to determine specifically where it is losing or making money. Another treasurer, noting the financial difficulties many districts are experiencing, said that the Statement of Activities could become more important to districts in the years to come as they try to cope with their budgetary woes. The fourth treasurer noted that the Statement of Activities is another overall summary of district information drawn from detailed information throughout the report.
In response to Item D on the list, "The Required Supplementary Information Section that allows presentations of information, such as actual revenues and expenditures compared with those in the original budget and the budget certified for taxes," treasurers in three districts said this was "most significant." None of the treasurers was from the 3 small-sized school districts, 2 were from the 11 medium-sized districts, and 1 was from the single large-sized district in terms of total revenue, as shown in Table 43.

Table 43

*Required Supplemental Information (Budget) Was Important Change, by School District Total Revenue*

<table>
<thead>
<tr>
<th>Total Revenue</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤ $10 million</td>
<td>0</td>
<td>0%</td>
<td>3</td>
<td>100%</td>
<td>3</td>
</tr>
<tr>
<td>&gt; $10 million, but &lt; $100 million</td>
<td>2</td>
<td>18%</td>
<td>9</td>
<td>82%</td>
<td>11</td>
</tr>
<tr>
<td>≥ $100 million</td>
<td>1</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>1</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>3</td>
<td>20%</td>
<td>12</td>
<td>80%</td>
<td>15</td>
</tr>
</tbody>
</table>

None of the three treasurers was from the five small-sized school districts, one was from among the five small-medium sized districts, one was from the three medium-sized districts, none was from the one large-medium sized districts, and one was from the one large district in terms of average daily membership, as shown in Table 44.
Table 44

*Required Supplemental Information (Budget) Was Important Change, by School District Average Daily Membership*

<table>
<thead>
<tr>
<th>School District Size</th>
<th>Average Daily Membership</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>1,000 - 1,999</td>
<td>0</td>
<td>0%</td>
<td>5</td>
<td>100%</td>
<td>5</td>
</tr>
<tr>
<td>Small-medium</td>
<td>2,000 - 2,999</td>
<td>1</td>
<td>20%</td>
<td>4</td>
<td>80%</td>
<td>5</td>
</tr>
<tr>
<td>Medium</td>
<td>3,000 - 4,999</td>
<td>1</td>
<td>33%</td>
<td>2</td>
<td>67%</td>
<td>3</td>
</tr>
<tr>
<td>Large-medium</td>
<td>5,000 - 7,999</td>
<td>0</td>
<td>0%</td>
<td>1</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td>Large</td>
<td>8,000 - 13,999</td>
<td>1</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>1</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>3</strong></td>
<td><strong>20%</strong></td>
<td><strong>12</strong></td>
<td><strong>80%</strong></td>
<td><strong>15</strong></td>
<td></td>
</tr>
</tbody>
</table>

One treasurer said that the comparison of actual revenues and expenditures with those in the original and final budgets might help the report reader understand what occurred during the year. Another treasurer said that this type of comparison is important and that variances between actual and budgeted revenues and expenditures must be addressed. This treasurer said that school district officials’ credibility with the community is impacted by the variances. The third treasurer said that school districts often took the attitude previously that as long as the school district ended the year financially sound, all was well. With a comparison of actual and original and final budgeted amounts, school districts have greater concern with keeping revenue and finances on track throughout the year.
On the other hand, one treasurer said that a comparison of actual revenues and expenditures with original and final budgeted amounts has little relevance in the world of education because there are so many factors over which district officials have little or no control. The treasurer noted that 10 additional special education students, for whom aides and transportation were not budgeted, may show up at school during the first week of classes, rendering a comparison between actual and budgeted revenues and expenditures meaningless.

In response to Item E on the list, “The fact that some financial statements are presented on a school district-wide basis,” no treasurer said this was “most significant.”

In response to Item F on the list, “The fact that financial information is presented on a full accrual accounting basis and with an economic resource focus,” the treasurer of one district considered it “most significant.” This treasurer was from one of the 11 medium-sized school districts in the study in terms of revenue, as shown in Table 45.

Table 45

<table>
<thead>
<tr>
<th>Total Revenue</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤ $10 million</td>
<td>0</td>
<td>0%</td>
<td>3</td>
<td>100%</td>
<td>3</td>
</tr>
<tr>
<td>&gt; $10 million, but ≤ $100 million</td>
<td>1</td>
<td>9%</td>
<td>10</td>
<td>91%</td>
<td>11</td>
</tr>
<tr>
<td>≥ $100 million</td>
<td>0</td>
<td>0%</td>
<td>1</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1</td>
<td>7%</td>
<td>14</td>
<td>93%</td>
<td>15</td>
</tr>
</tbody>
</table>
The treasurer was from one of the five small-medium school districts in terms of average daily membership, as shown in Table 46.

Table 46

*Full Accrual Accounting Was Important Change, by School District Average Daily Membership*

<table>
<thead>
<tr>
<th>School District Size</th>
<th>Average Daily Membership</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>1,000 - 1,999</td>
<td>0</td>
<td>0%</td>
<td>5</td>
<td>100%</td>
<td>5</td>
</tr>
<tr>
<td>Small-medium</td>
<td>2,000 - 2,999</td>
<td>1</td>
<td>20%</td>
<td>4</td>
<td>80%</td>
<td>5</td>
</tr>
<tr>
<td>Medium</td>
<td>3,000 - 4,999</td>
<td>0</td>
<td>0%</td>
<td>3</td>
<td>100%</td>
<td>3</td>
</tr>
<tr>
<td>Large-medium</td>
<td>5,000 - 7,999</td>
<td>0</td>
<td>0%</td>
<td>1</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td>Large</td>
<td>8,000 - 13,999</td>
<td>0</td>
<td>0%</td>
<td>1</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>1</td>
<td>7%</td>
<td>14</td>
<td>93%</td>
<td>15</td>
</tr>
</tbody>
</table>

She said it is important because it gives a more accurate picture of the district's financial condition by recognizing revenues when they are earned and expenditures when they are actually incurred. Another treasurer, though not citing full-accrual accounting as being “most significant,” said that full-accrual accounting should be used for all financial statements in the annual financial report, rather than using modified accrual accounting for many of the statements. He said that using modified-accrual accounting for some financial statements and full-accrual accounting for other financial statements is confusing to the report reader who does not have an accounting background.
In response to Item G on the list, "The fact that the value of capital assets and their decline in value over time are reported," treasurers in three districts said this was "most significant." The three treasurers were from districts that were among the 11 medium-sized school districts in the study in terms of total revenue, as shown in Table 47.

Table 47

Depreciation of Fixed Assets Was Important Change, by School District Total Revenue

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤ $10 million</td>
<td>0</td>
<td>0%</td>
<td>3</td>
<td>100%</td>
<td>3</td>
</tr>
<tr>
<td>&gt; $10 million, but ≤ $100 million</td>
<td>3</td>
<td>27%</td>
<td>8</td>
<td>73%</td>
<td>11</td>
</tr>
<tr>
<td>≥ $100 million</td>
<td>0</td>
<td>0%</td>
<td>1</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL</td>
<td>3</td>
<td>20%</td>
<td>12</td>
<td>80%</td>
<td>15</td>
</tr>
</tbody>
</table>

One of the treasurers was from one of the five small-sized school districts, one from one of the five small-medium sized districts, none was from the three medium-sized districts, one was from the only large-medium sized district, and none was from the one large-sized district in the study in terms of average daily membership, as shown in Table 48.

One treasurer said that depreciation is important because it impacts the school district's financial statements, making them better reflect the district's actual financial condition. Another treasurer echoed these sentiments, saying that it was the most...
Table 48

Depreciation of Fixed Assets Was Important Change, by School District Average Daily Membership

<table>
<thead>
<tr>
<th>School District Size</th>
<th>Average Daily Membership</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>1,000 - 1,999</td>
<td>1</td>
<td>20%</td>
<td>4</td>
<td>80%</td>
<td>5</td>
</tr>
<tr>
<td>Small-medium</td>
<td>2,000 - 2,999</td>
<td>1</td>
<td>20%</td>
<td>4</td>
<td>80%</td>
<td>5</td>
</tr>
<tr>
<td>Medium</td>
<td>3,000 - 4,999</td>
<td>0</td>
<td>0%</td>
<td>3</td>
<td>100%</td>
<td>3</td>
</tr>
<tr>
<td>Large-medium</td>
<td>5,000 - 7,999</td>
<td>1</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>1</td>
</tr>
<tr>
<td>Large</td>
<td>8,000 - 13,999</td>
<td>0</td>
<td>0%</td>
<td>1</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>3</td>
<td>20%</td>
<td>12</td>
<td>80%</td>
<td>15</td>
</tr>
</tbody>
</table>

significant change after the Statement of Activities. A third treasurer said that the company that insures school property was interested in the depreciated values of the district’s assets and gave the district a discount on its insurance as a result of these records.

One treasurer said:

The thing I really like about it is it tells you how “fresh” something is, like your (school bus) fleet. If your fleet property values and acquisitions are slim and you’re letting the years go by, you can see your bus fleet is drifting into basic ruin. A lot of financial guys can come into a place and do that, run it into the ground. And you look good on paper in cash. They don’t reveal to anybody that they did it at the expense of fleet needs and that it would take acquisition of 10 or 15 buses to get the fleet back up to standard. To the very savvy [annual financial report reader], they’ll pick up on issues like that, and I try to mention them in my MD&A.
On the other hand, a treasurer in another school district said that the district had kept depreciation records previously, but it was only after the implementation of GASB Statement No. 34 that the district began reporting depreciation. The treasurer noted that reporting depreciation is not a big change for that district.

Several other treasurers said that other than a school district's buildings and school buses, it has few high-value fixed assets. They noted that in their school districts, new schools are built infrequently, and sometimes mainly because the State of Ohio offers to fund a majority of the cost if the district passes a bond issue within a year or so to fund the remaining cost. School buildings are typically in service for 50 years or more, unless declining enrollments or shifts of population within the district result in them being unneeded, they said. Similarly, the replacement of school buses is closely linked to state grants for transportation. Reductions in grant money in recent years because of a decline in state revenues means that their districts will probably replace school buses less frequently, they said.

In response to Item H on the list, "The fact that long-term debt is reported," treasurers in two school districts said this was "most significant." Both of the treasurers were from school districts that were among the 11 medium-sized districts in the study in terms of total revenue, as shown in Table 49.

None of the treasurers was from among the small-sized school districts, one treasurer was from among the five small-medium sized districts, none was from among the three medium-sized districts, one treasurer was from the one large-medium sized district, and none was from the one large district in terms of average daily membership, as shown in Table 50.
Table 49

*Reporting Long-term Debt Was Important Change, by School District Total Revenue*

<table>
<thead>
<tr>
<th>Total Revenue</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤ $10 million</td>
<td>0</td>
<td>0%</td>
<td>3</td>
<td>100%</td>
<td>3</td>
</tr>
<tr>
<td>&gt; $10 million, but &lt; $100 million</td>
<td>2</td>
<td>18%</td>
<td>9</td>
<td>82%</td>
<td>11</td>
</tr>
<tr>
<td>≥ $100 million</td>
<td>0</td>
<td>0%</td>
<td>1</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>2</td>
<td>13%</td>
<td>13</td>
<td>87%</td>
<td>15</td>
</tr>
</tbody>
</table>

Table 50

*Reporting Long-term Debt Was Important Change, by School District Average Daily Membership*

<table>
<thead>
<tr>
<th>School District Size</th>
<th>Average Daily Membership</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>1,000 - 1,999</td>
<td>0</td>
<td>0%</td>
<td>5</td>
<td>100%</td>
<td>5</td>
</tr>
<tr>
<td>Small-medium</td>
<td>2,000 - 2,999</td>
<td>1</td>
<td>20%</td>
<td>4</td>
<td>80%</td>
<td>5</td>
</tr>
<tr>
<td>Medium</td>
<td>3,000 - 4,999</td>
<td>0</td>
<td>0%</td>
<td>3</td>
<td>100%</td>
<td>3</td>
</tr>
<tr>
<td>Large-medium</td>
<td>5,000 - 7,999</td>
<td>1</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>1</td>
</tr>
<tr>
<td>Large</td>
<td>8,000 - 13,999</td>
<td>0</td>
<td>0%</td>
<td>1</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>2</td>
<td>13%</td>
<td>13</td>
<td>87%</td>
<td>15</td>
<td></td>
</tr>
</tbody>
</table>

The former and current treasurers of one district noted that construction of new schools in the district suddenly made long-term debt and the servicing of that debt a...
larger part of the district’s budget. Prior to GASB Statement No. 34, the significance of the long-term debt would have been less apparent to the annual report reader, and the reader would not have been informed of the amount of the principal and interest payments, even though the school districts had the information in their records. As the treasurer of another school district noted, reporting long-term debt is another way that the district’s financial statements become a more accurate reflection of the district’s actual financial condition.

Several of the 13 treasurers who did not consider reporting long-term debt as significant said that their school districts had not borrowed money in 10 years or more and their school districts had no outstanding long-term debt; therefore, reporting long-term debt in the financial statements was irrelevant to their districts. Other treasurers said that school board and the school administration were well aware of their districts’ outstanding long-term debt and the claims it had on school district revenues before Statement No. 34 was created. Therefore, the requirement to report long-term debt on the financial statements does not provide any benefit to the school board or district administration, they said.

Question 7

In response to the first part of this question, “Have the questions raised about your school district’s finances by the financial community changed since your district implemented GASB Statement No. 34?” treasurers in four school districts said they believe implementing GASB Statement No. 34 enabled their districts to receive lower interest rates on the bonds the districts issued. One of the treasurers was from a “small”
school districts in terms of total school district revenue, and three treasurers were from “medium-sized” school districts, as shown in Table 51.

Table 51

_Treasurers Who Believed Statement No. 34 Lowered Bond Interest Rates, by School District Total Revenue_

<table>
<thead>
<tr>
<th>Total Revenue</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤ $10 million</td>
<td>1</td>
<td>33%</td>
<td>2</td>
<td>67%</td>
<td>3</td>
</tr>
<tr>
<td>&gt; $10 million, but &lt; $100 million</td>
<td>3</td>
<td>27%</td>
<td>8</td>
<td>73%</td>
<td>11</td>
</tr>
<tr>
<td>≥ $100 million</td>
<td>0</td>
<td>0%</td>
<td>1</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>4</td>
<td>27%</td>
<td>11</td>
<td>73%</td>
<td>15</td>
</tr>
</tbody>
</table>

Measured in terms of average daily membership, two of the school districts were “small,” one was “small-medium,” and the fourth district was “large-medium,” as shown in Table 52.

The fact that several school districts in the study were offered the opportunity by the State of Ohio to build new schools through a combination of school district bond issues and state building fund grants probably influenced which treasurers said their school districts’ bond rates were affected by GASB Statement No. 34. Also, the fact that three of the four treasurers were from “small” or “small-medium” school districts in terms of student enrollment may reflect the fact that the financial community had lower...
Table 52

*Treasurers Who Believed Statement No. 34 Lowered Bond Interest Rates, by School District Average Daily Membership*

<table>
<thead>
<tr>
<th>School District Size</th>
<th>Average Daily Membership</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small 1,000 - 1,999</td>
<td>2</td>
<td>40%</td>
<td>3</td>
<td>60%</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Small-medium 2,000 - 2,999</td>
<td>1</td>
<td>20%</td>
<td>4</td>
<td>80%</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Medium 3,000 - 4,999</td>
<td>0</td>
<td>0%</td>
<td>3</td>
<td>100%</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Large-medium 5,000 - 7,999</td>
<td>1</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Large 8,000 - 13,999</td>
<td>0</td>
<td>0%</td>
<td>1</td>
<td>100%</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>4</td>
<td>27%</td>
<td>11</td>
<td>73%</td>
<td>15</td>
<td></td>
</tr>
</tbody>
</table>

expectations for the financial reporting of these school districts because of their small size.

None of the four treasurers possessed evidence that bonds sold at a lower interest rate because the districts implemented GASB Statement No. 34. However, one treasurer said that one of the bond rating services said that it was “encouraged by the new reporting style” the school district had undertaken, referring to implementation of GASB Statement No. 34. The treasurer in another school district said that the firm that underwrote the small district’s bonds told the district that the firm was impressed that a smaller district had implemented GASB Statement No. 34. The underwriter was interested in the district’s GASB Statement No. 34 information, the treasurer noted. In another district, the treasurer said the district’s bonds were sold when interest rates were

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at their lowest point, so the GASB Statement No. 34 information did not help the district as much as it might have, but, even so, the treasurer said the district may have received an interest rate one-half percent lower than would have been possible without the GASB Statement No. 34 information. The treasurer in another school district said the district may have saved one-eighth of a point on bond interest rates because of GASB Statement No. 34 information. The treasurer said that this is because the information showed that the district was in good financial shape and that the district fairly stated the value of its fixed assets by depreciating them over time.

In the other 11 school districts, treasurers said they received no feedback from the financial community about implementing GASB Statement No. 34, though several said that they might in the coming years when their districts begin issuing bonds for new school buildings.

In response to the second part of the question, “Have the questions raised about your school district’s finances by school board members and government officials with oversight responsibility changed since your district implemented GASB Statement No. 34?” treasurers in six school districts answered “Yes.” Two of the treasurers were from “small” school districts in terms of total school district revenue, and the other four treasurers were from “medium-sized” school districts, as shown in Table 53.

Based on average daily membership, four of the school districts were “small,” one was “small-medium,” and one was “large-medium,” as shown in Table 54.

Treasurers from only two of the four school districts in the study from northeastern Ohio were among those noting changes in questions from school board members and government officials post-GASB Statement No. 34 implementation. The
Table 53

School Board Members' and Oversight Officials' Questions on School District Finances Changed, by School District Total Revenue

<table>
<thead>
<tr>
<th>Total Revenue</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤ $10 million</td>
<td>2</td>
<td>67%</td>
<td>1</td>
<td>33%</td>
<td>3</td>
</tr>
<tr>
<td>&gt; $10 million, but &lt; $100 million</td>
<td>4</td>
<td>36%</td>
<td>7</td>
<td>64%</td>
<td>11</td>
</tr>
<tr>
<td>≥ $100 million</td>
<td>0</td>
<td>0%</td>
<td>1</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL</td>
<td>6</td>
<td>40%</td>
<td>9</td>
<td>60%</td>
<td>15</td>
</tr>
</tbody>
</table>

Table 54

School Board Members' and Oversight Officials' Questions on School District Finances Changed, by School District Average Daily Membership

<table>
<thead>
<tr>
<th>School District Size</th>
<th>Average Daily Membership</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>1,000 - 1,999</td>
<td>4</td>
<td>80%</td>
<td>1</td>
<td>20%</td>
<td>5</td>
</tr>
<tr>
<td>Small-medium</td>
<td>2,000 - 2,999</td>
<td>1</td>
<td>20%</td>
<td>4</td>
<td>80%</td>
<td>5</td>
</tr>
<tr>
<td>Medium</td>
<td>3,000 - 4,999</td>
<td>0</td>
<td>0%</td>
<td>3</td>
<td>100%</td>
<td>3</td>
</tr>
<tr>
<td>Large-medium</td>
<td>5,000 - 7,999</td>
<td>1</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>1</td>
</tr>
<tr>
<td>Large</td>
<td>8,000 - 13,999</td>
<td>0</td>
<td>0%</td>
<td>1</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL</td>
<td>6</td>
<td>40%</td>
<td></td>
<td>9</td>
<td>60%</td>
<td>15</td>
</tr>
</tbody>
</table>
four northeastern Ohio school districts were in the top five among the school districts in the study for median family income, percentage of residents in administrative and professional jobs, percentage of residents who had taken at least one college course, average taxable property value per student, and population density. The treasurer of a school district outside of northeastern Ohio also ranked among the top five school districts in percentage of residents in administrative and professional jobs and average taxable property value per student and among the top six in percentage of residents who had taken at least one college course. She was also among the six treasurers who said that school board members’ and government officials’ questions changed post-GASB Statement No. 34 implementation. The remaining three treasurers who also noted a change in questions from their school boards of implementation were from school districts at the lower end in all the categories listed above.

In one school district, the treasurer said that GASB Statement No. 34 information has helped the school board “slightly.” The treasurer said the school board does not study the GASB Statement No. 34 information or ask many detailed questions based on it, but the school board has expressed its appreciation of receiving the information. In another district, the treasurer said the information did raise questions with the school board. The treasurer said the school board probably paid more attention to the GASB Statement No. 34 information in the year of implementation because early implementation and the notoriety that came with it were a source of pride in the school district. In a third district, the treasurer said that various members on the school board use the GASB Statement No. 34 information differently, based on their individual knowledge of financial issues.
In another district, the treasurer said that the school board’s questions became more insightful as a result of the GASB Statement No. 34 information. The treasurer said that in reading the MD&A, school board members are able to derive useful information, whether they have a financial background or not. The treasurer noted that school board meetings in the district are different from those in many other districts because the treasurer gives a written copy of the monthly treasurer’s report to the board and also makes an oral presentation lasting approximately 30 minutes. The treasurer said that in many other districts the school boards simply receive and file the treasurer’s written monthly reports. In still another district, the treasurer said that the MD&A generated occasional questions from the school board about net assets. Otherwise, the school board’s questions related to the monthly investment income reports, which are not related to GASB Statement No. 34. One treasurer among the six said that the change in what is asked has come from personnel in the State Auditor’s Office when it does its annual audit of the school district. Another treasurer noted that one of the five school board members pays attention to the information and asks questions. Otherwise, the only interest in the information is from the State Auditor’s Office and the federal government, with whom the district is required to file its annual financial reports.

However, several other treasurers said that many of the members of their school boards probably derived about as much knowledge and benefit from the new information in the school districts’ annual financial reports required by Statement No. 34 as did citizens in the district, which was little or none. Several treasurers also noted that school board members look to the treasurers to comprehend and explain the more complex financial issues with which board members are confronted. In the case of Statement No.
the treasurers said that they understood it, but their sense was that board members
and school administration officials generally did not, except from the perspective that it
was a new requirement that created additional work for and cost to the school district.

In response to the third part of the question, “Have the questions raised about
your school district’s finances by the public changed since your district implemented
GASB Statement No. 34?” treasurers in four districts said that they had received more
questions from the public since implementation of GASB Statement No. 34. One
treasurer was from a “small” school district in terms of total school district revenue, two
treasurers were from “medium-sized” school districts, and one was from a “large” school
district, as shown in Table 55.

Table 55

*Public’s Questions on School District Finances Changed, by School District Total Revenue*

<table>
<thead>
<tr>
<th>Total Revenue</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤ $10 million</td>
<td>1</td>
<td>33%</td>
<td>2</td>
<td>67%</td>
<td>3</td>
</tr>
<tr>
<td>&gt; $10 million, but &lt; $100 million</td>
<td>2</td>
<td>18%</td>
<td>9</td>
<td>82%</td>
<td>11</td>
</tr>
<tr>
<td>≥ $100 million</td>
<td>1</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL</td>
<td>4</td>
<td>27%</td>
<td>11</td>
<td>73%</td>
<td>15</td>
</tr>
</tbody>
</table>
In terms of average daily membership, two of the treasurers were from “small” school districts, one was from a “small-medium” school district, and the fourth treasurer was from a “large” district, as shown in Table 56.

Table 56

*Public’s Questions on School District Finances Changed, by School District Average Daily Membership*

<table>
<thead>
<tr>
<th>School District Size</th>
<th>Average Daily Membership</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>1,000 - 1,999</td>
<td>2</td>
<td>40%</td>
<td>3</td>
<td>60%</td>
<td>5</td>
</tr>
<tr>
<td>Small-medium</td>
<td>2,000 - 2,999</td>
<td>1</td>
<td>20%</td>
<td>4</td>
<td>80%</td>
<td>5</td>
</tr>
<tr>
<td>Medium</td>
<td>3,000 - 4,999</td>
<td>0</td>
<td>0%</td>
<td>3</td>
<td>100%</td>
<td>3</td>
</tr>
<tr>
<td>Large-medium</td>
<td>5,000 - 7,999</td>
<td>0</td>
<td>0%</td>
<td>1</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td>Large</td>
<td>8,000 - 13,999</td>
<td>1</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>1</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td>4</td>
<td>27%</td>
<td>11</td>
<td>73%</td>
<td>15</td>
</tr>
</tbody>
</table>

Two of these four school districts were the northeastern Ohio school districts.

One of the four treasurers said that one or two members of the public have asked questions that seem to indicate that they had read the GASB Statement No. 34 information. A treasurer in another district said that as a result of GASB Statement No. 34 information, the school district had received more questions from community and business leaders and professionals with a financial background. The treasurer said the questions were not negative towards the school district or its operation.
A third treasurer, who was from one of the northeastern Ohio school districts, said that the questions the district received since implementing GASB Statement No. 34 have been good questions and not of a nuisance nature. The district has a history of families moving in from the states of New York and California, and the treasurer said they are "blown away" when confronted with the school financing system in Ohio. The treasurer said that the MD&A gives these recent transplants something to help them understand school financing in Ohio, whether or not they have a financial background. The treasurer noted that the level of public interest in school finances in the district is such that a simplified version of the treasurer's monthly report is passed out to the audience during school board meetings so that it can follow along as the treasurer presents the monthly report orally. This is in contrast with some other school districts, where the treasurers noted that few, if any, members of the public were present at the school board meetings on a regular basis.

Although the questions from the public in one school district had not changed since the implementation of GASB Statement No. 34, the treasurer reported that there had been much public comment to school district officials. The comments were congratulatory for the school district's early implementation of GASB Statement No. 34 and the positive publicity that it brought to the school district.

Treasurers in two school districts said that there had not been questions from the public resulting from GASB Statement No. 34 information. However, both said that under certain circumstances, such as the school districts placing a tax increase on the ballot, there would be more questions from the public and requests for information on the school district's financial condition, in which case GASB Statement No. 34 might be
used. Several treasurers noted that though the school districts comply with state law by advertising the availability of the school districts’ annual financial reports in local newspapers, the districts never receive any questions about the reports’ contents or requests for information from the public. Another treasurer said that if the school district issued a one-page report entitled, “Highlights of the CAFR,” and told the public “This what you need to know,” most citizens would be happy.

One treasurer noted that the financial reports, audits, and five-year financial projections for all Ohio public school districts are on the State Auditor’s Office website, so there may be members of the public who are reading school districts’ financial information without school district officials being aware of it. The treasurer of another district said that the public is beginning to take more notice of school districts’ five-year financial projections. The treasurer said that this information is more useful to the public than the information in the annual report, including GASB Statement No. 34 information, because the projection contains more assumptions and the notes accompanying the projection provide more detailed information.

One treasurer said that GASB Statement No. 34 information has no impact on the public or school district bargaining units because they are interested only in the cash-basis financial information. Monthly treasurer’s reports, the school districts’ financial records until the GAAP conversion for the annual financial report, and the five-year financial projections are all on a cash basis in Ohio.

In response to the fourth part of the question, “What impact have these questions had on the school district’s public website?” treasurers in four districts said that the annual financial report is on their school districts’ websites or would be soon. Three of
the school districts were “medium-sized” in terms of total school district revenue, and one was “large,” as shown in Table 57.

Table 57

School Districts’ Annual Financial Reports Posted on Website, by School District Total Revenue

<table>
<thead>
<tr>
<th>Total Revenue</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Unknown*</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤ $10 million</td>
<td>0</td>
<td>0%</td>
<td>3</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>3</td>
</tr>
<tr>
<td>&gt; $10 million, but &lt; $100 million</td>
<td>3</td>
<td>27%</td>
<td>7</td>
<td>64%</td>
<td>1</td>
<td>9%</td>
<td>11</td>
</tr>
<tr>
<td>≥ $100 million</td>
<td>1</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>0</td>
<td>0%</td>
<td>1</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>4</td>
<td>27%</td>
<td>10</td>
<td>67%</td>
<td>1</td>
<td>7%</td>
<td>15</td>
</tr>
</tbody>
</table>

* Treasurer did know answer because left school district for another job.

In terms of average daily membership, there was one treasurer each from the “small-medium,” “medium,” “large-medium,” and “large” school district categories, as shown in Table 58.

Three of the treasurers were from northeastern Ohio school districts. The treasurer of the fourth northeastern Ohio school district in the study said that although the school district’s annual financial report was not on the school district’s website, the website contained a link to request a copy of the report from the school district. The treasurer added that copies of the annual financial report were also available at the public library, village hall, chamber of commerce, and at local real estate offices. The treasurer...
Table 58  

_School Districts' Annual Financial Reports Posted on Website, by School District Average Daily Membership_

<table>
<thead>
<tr>
<th>School District Size</th>
<th>Average Daily Membership</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Unknown*</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>1,000 - 1,999</td>
<td>0</td>
<td>0%</td>
<td>4</td>
<td>80%</td>
<td>1</td>
<td>20%</td>
<td>5</td>
</tr>
<tr>
<td>Small-medium</td>
<td>2,000 - 2,999</td>
<td>1</td>
<td>20%</td>
<td>4</td>
<td>80%</td>
<td>0</td>
<td>0%</td>
<td>5</td>
</tr>
<tr>
<td>Medium</td>
<td>3,000 - 4,999</td>
<td>1</td>
<td>33%</td>
<td>2</td>
<td>67%</td>
<td>0</td>
<td>0%</td>
<td>3</td>
</tr>
<tr>
<td>Large-medium</td>
<td>5,000 - 7,999</td>
<td>1</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>0</td>
<td>0%</td>
<td>1</td>
</tr>
<tr>
<td>Large</td>
<td>8,000 - 13,999</td>
<td>1</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>0</td>
<td>0%</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>4</td>
<td>27%</td>
<td>10</td>
<td>67%</td>
<td>1</td>
<td>7%</td>
<td>15</td>
</tr>
</tbody>
</table>

* Treasurer did not know answer because left school district for another job.

said that only the district's cash-based income statement had been placed on the website in an attempt to keep the information simple enough for website visitors without financial backgrounds to understand.

In one school district, the treasurer said that the district's CAFR is on the website because one school board member said it had to be there. The treasurer said that the CAFR is distributed to local government officials, who are asked to review it and contact the treasurer with any questions that they have on it. There have been few questions. In another district, both the cash-basis monthly financial statements and CAFR are on the school district website, the treasurer said.
In one district, the website was being revamped, and the school district’s CAFR, five-year financial projection and notes to the five-year projection were going to be added to the website. The treasurer said it was unclear whether placing the CAFR on the website would draw more questions from the public about the school district’s finances. He speculated that visitors to the school district website would be more likely to read the notes to the five-year financial projection than the CAFR.

In two other school districts, although financial information is placed on the districts’ websites, GASB Statement No. 34 information is not included. In one district, the website contains cash-based financial information and budgetary information, the treasurer said. In the other district, the website contains financial information in the form of long-term forecasts for the district, building needs, and items that might impact the district’s finances.

In three school districts, the treasurers said that the website was under development so there was little information of any type on it at present.

One treasurer noted that there had been plans to put the school district’s annual financial report on its website when she was at the school district. However, she left the year after GASB Statement No. 34 implementation and said she believed that those plans were scrapped after she left.

In the fifth part of the question the treasurers were asked, “Have school district officials considered these questions when determining whether to seek a renewal of or additional school financing from the public, the type and amount of financing to seek, and the message to present to the public during the campaign to obtain school financing?” None of the treasurers said that school district officials had considered these
questions when determining whether to seek a renewal or additional school financing from the public. The treasurer of one district said that the five-year financial projections are used when determining whether to place school financing issues on the ballot. The school district was “small,” both in terms of total school district revenue and average daily membership. The treasurer of another district said that the district had not needed to place a school finance issue on the ballot, but when the time comes to decide whether additional revenue is needed, GASB Statement No. 34 information may be used by school district officials in making the decision. The school district was “small” in terms of total school district revenue and “small-medium” in terms of average daily membership.

In response to whether school districts “had used the responses to determine the message to present to the public during the campaign to obtain school financing,” treasurers in two districts said that their districts had used the implementation of GASB Statement No. 34 or the Statement’s information in the campaign for passage of a ballot school financing issue. One of the school districts was “medium-sized” in terms of total school district revenue, and the other school district was large, as shown in Table 59.

In terms of average daily membership, one school district was “large-medium,” and the other district was “large,” as shown in Table 60.

Both are northeastern Ohio school districts.

The treasurer of the “medium-sized” school district said that the district had been able to use the information required by GASB Statement No. 34 to show the public that most of the school district’s fixed assets were fully depreciated. School districts voters responded by approving the millage increase requested by the school district to replace
Table 59

*Used Statement No. 34 Information in School Finance Election Campaign, by School District Total Revenue*

<table>
<thead>
<tr>
<th>Total Revenue</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Unknown&lt;sup&gt;a&lt;/sup&gt;</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤ $10 million</td>
<td>0</td>
<td>0%</td>
<td>3</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>3</td>
</tr>
<tr>
<td>&gt; $10 million, but &lt; $100 million</td>
<td>1</td>
<td>9%</td>
<td>9</td>
<td>82%</td>
<td>1</td>
<td>9%</td>
<td>11</td>
</tr>
<tr>
<td>≥ $100 million</td>
<td>1</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>0</td>
<td>0%</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL</td>
<td>2</td>
<td>13%</td>
<td>12</td>
<td>80%</td>
<td>1</td>
<td>7%</td>
<td>15</td>
</tr>
</tbody>
</table>

<sup>a</sup> Treasurer did know answer because left school district for another job.

Table 60

*Used Statement No. 34 Information in School Finance Election Campaign, by School District Average Daily Membership*

<table>
<thead>
<tr>
<th>School District Size</th>
<th>Average Daily Membership</th>
<th>Yes</th>
<th>%</th>
<th>No</th>
<th>%</th>
<th>Unknown&lt;sup&gt;a&lt;/sup&gt;</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>1,000 - 1,999</td>
<td>0</td>
<td>0%</td>
<td>4</td>
<td>80%</td>
<td>1</td>
<td>20%</td>
<td>5</td>
</tr>
<tr>
<td>Small-medium</td>
<td>2,000 - 2,999</td>
<td>0</td>
<td>0%</td>
<td>5</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>5</td>
</tr>
<tr>
<td>Medium</td>
<td>3,000 - 4,999</td>
<td>0</td>
<td>0%</td>
<td>3</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>3</td>
</tr>
<tr>
<td>Large-medium</td>
<td>5,000 - 7,999</td>
<td>1</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>0</td>
<td>0%</td>
<td>1</td>
</tr>
<tr>
<td>Large</td>
<td>8,000 - 13,999</td>
<td>1</td>
<td>100%</td>
<td>0</td>
<td>0%</td>
<td>0</td>
<td>0%</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>2</td>
<td>13%</td>
<td>12</td>
<td>80%</td>
<td>1</td>
<td>7%</td>
<td>15</td>
</tr>
</tbody>
</table>

<sup>a</sup> Treasurer did know answer because left school district for another job.
old fixed assets. In the large school district, school district officials used the information required by GASB Statement No. 34 to show the public the difference between local revenue and state and federal grant revenue, and the restricted purposes for which the grant revenues could be spent.

The treasurer of a “medium-sized” school district in terms of total school district revenue and average daily attendance said that her school district had used its implementation of GASB Statement No. 34, rather than the information that GASB Statement No. 34 required, in a successful millage campaign. She indicated that an independent committee comprised of community volunteers who promoted the ballot issue were not able to use the GASB Statement No. 34 information in the campaign because of its technical nature. However, the treasurer felt that the well-publicized fact that the school district had implemented “an improved” financial statement, i.e., GASB Statement No. 34, gave the district credibility with voters.

In two districts, treasurers speculated that GASB Statement No. 34 information would be used when their districts need to seek voter approval of tax issues. One treasurer said that tables of financial information from the annual financial report’s MD&A would be used in an election campaign to show what had been done in the past and that the district has acted responsibly in maintaining its cash reserves.

In three districts, treasurers said that financial information other than GASB Statement No. 34 is used to promote school finance issues on the ballot. In one school district, the treasurer said that the public expects the school district to have a tax issue on the ballot every 4 years because of the sunset provision for the district’s various tax issues. The public is most concerned with district students’ overall scores on state
academic proficiency examinations and how the district’s per-pupil spending compares with other districts in its area and the state as a whole. In another district, the treasurer stated that the district’s long-term financial forecast and school building needs are used to promote school district tax issues. A third treasurer observed, “We haven’t [used GASB Statement No. 34 information], and we never will! Cash is king!” The treasurer explained that the public is used to and generally understands only cash-basis financial information.

Question 8

In response to the question, “Were there any other changes that resulted from GASB Statement No. 34 that we have not discussed? If so, please describe them and the impact that they have had on your school district and you as the school finance officer,” treasurers in six school districts provided additional information. One treasurer in a “small” district in terms both of total school district revenue and average daily membership said that the MD&A took about 10 to 12 hours the first year and only 1 to 2 hours in subsequent years. The treasurer said it took longer the first year because decisions had to be made on what to include in the MD&A, and then that pattern was followed in subsequent years. The treasurer added, “I haven’t gotten any indication that anybody uses it.”

The treasurer of a "medium-sized” school district in terms of total school district revenue and “small-medium” in terms of average daily membership said the biggest challenge in the year of GASB Statement No. 34 implementation was improving the fixed asset records so that they were complete and accurate and then showing
depreciation for the assets. The treasurer, who had attended several seminars sponsored by the State of Ohio Auditor’s Office, did the work rather than hiring a consultant. The treasurer, who moved to another school district the next year, implemented GASB Statement No. 34 upon arriving at the district. The treasurer explained that this was to take advantage of the knowledge of how to bring fixed asset records up to GASB Statement No. 34 standards and properly implement asset depreciation before the treasurer forgot the information.

The treasurer of another school district that was “small” in terms of both total school district revenue and average daily membership agreed that fixed assets were the main challenge in implementing GASB Statement No. 34. School treasurers have disliked dealing with financial records for fixed assets all along, and GASB Statement No. 34 takes the treasurers one step further into keeping fixed asset records, requiring the time of both the treasurer and an assistant to maintain the records. As a result, however, school treasurers are more aware of school district assets, which the treasurer said, “is not a bad thing.”

The treasurer of a school district that was “medium-sized” in terms of both total school district revenue and average daily membership said that costs and workloads shifted because of the implementation of GASB Statement No. 34. Staff became more involved in producing the annual report. Internal controls over fixed assets had to be tightened up, the treasurer reported. “I decided if we were going to put fixed assets and depreciation in our financial statements, then the information was going to have some credibility.“ In the past, school district employees had not always been meticulous about taking inventory or accounting for school equipment. The treasurer informed the
employees that school district’s fixed assets represented taxpayers’ money, and that if
assets under an employee’s control could not be found, the employee was as culpable as
if money entrusted to the employee was missing. The treasurer asked several employees
who said they could not find fixed assets assigned to them, “Where’s your police
report?” In each instance, the missing assets were found. The effort to tighten controls
and improve asset records paid off, the treasurer said. She noted that the State Auditor’s
Office tested a sample of 700 assets when auditing the district’s financial statements in
the year of GASB Statement No. 34 implementation and found no problems with the
asset records.

In a “medium-sized” school district in terms of total school district revenue but
“small” in terms of average daily membership, the treasurer said that early
implementation resulted in the board of education, a board member, and the treasurer
receiving certificates of recognition at a luncheon sponsored by the State Auditor’s
Office for early implementation of GASB Statement No. 34. The school district also
received a letter from the president of the GASB at the time praising their early
implementation of GASB Statement No. 34. All of this was the subject of newspaper
stories in the school district and led to positive comments from the public to school
district officials, the treasurer said. She noted that school districts welcome positive
comments from the community because they receive negative comments for actions such
as firing the high school football coach.

The treasurer of a “medium-sized” school district in terms of both total school
district revenue and average daily membership said that the only impact GASB
Statement No. 34 had in the district was that it now took more time to prepare the
financial statements. There were some increases in staff time and cost in implementing GASB Statement No. 34, but he characterized these as "minor." The treasurer said the support provided by LGS had made the implementation easier.

Question 9

In response to the question, "What information would you impart to a school district about to implement GASB Statement No. 34?" the treasurers generally answered that the school district should prepare for implementation ahead of time, learn as much about GASB Statement No. 34 as possible, and use available resources, such as talking with the State Auditor's Office and other treasurers who had gone through implementation, and when necessary, hiring consultants to smooth the implementation process. Treasurers in 10 districts specifically mentioned the need "to get fixed assets records in order" and a depreciation system in place prior to implementing GASB Statement No. 34.

One treasurer said:

Assets! Assets! Assets! Make sure you get the [fixed assets reporting] threshold as high as you can and start working on them now because it takes a while to split them into different functions. Have you ever looked at a building and tried to decide what functions of a school are utilizing it? You have to sit down and think about it and go through and get all of your assets and determine who's using the assets this year versus last year.

Two other treasurers also recommended increasing the fixed assets reporting threshold prior to implementation to eliminate reporting the numerous low-value fixed assets that have little impact on a school district's finances. One treasurer noted that a school district would face a formidable task if it waits to raise the threshold until after
GASB Statement No. 34 implementation. Subsequent year changes require not only changes in the fixed assets system the district puts in place to comply with GASB Statement No. 34 and the purging of all low-value items from the records, but also restatement of the prior year financial statements to account for the reduction in the value of fixed assets and the reduction in depreciation.

Another treasurer said, “The most challenging part is getting your assets well-organized, well-defined, know what you want your fixed assets to show, and making sure you have the time and staff.” A second treasurer agreed that it is important “to make sure that the asset system is doing what you want it to do.” She added, “Plan on staying away from home for a while.” A third treasurer said that having a system in place that does the depreciation calculations would make implementation easier.

Three treasurers recommended hiring consultants or other help in implementing GASB Statement No. 34 whenever possible, especially when working on fixed asset records and depreciation. One treasurer said that upgrading fixed asset records and depreciating assets “is not rocket science” and added that it just takes a lot of work physically.

If you didn’t have anything else to do, it would be one thing. But you have the day-to-day: the office you’ve got to run, the payrolls you’ve got to take care of, and the bills to pay. And so you spend an enormous amount of time on your own just trying to figure out what’s going on.

Another treasurer said that a school district must consider whether the treasurer and staff can handle the extra work that implementing GASB Statement No. 34 requires, and if not, the school district should hire consultants. The treasurer said whether a school district can hire consultants depends on its financial condition, but said it is an especially
good idea in large school districts or those with complex records. However, many districts cannot afford consultants. "My GAAP conversion costs $10,000 and my audit costs $19,000." "We could hire a first-year teacher for that," the treasurer added. The school district cut $500,000 from its $10 million budget because of financial constraints, and faced an additional $600,000 in cuts if a millage issue on the ballot in an election several weeks after the interview did not pass, the treasurer said. "The only way to get there is by cutting people," the treasurer added. Noting the precarious financial condition of several school districts in that county, she said that the school board in a nearby district told the treasurer not to have the required GAAP conversion done because it was too expensive. The school board decided that paying a possible fine of less than $1,000 imposed by the State of Ohio for financial reporting noncompliance was preferable to spending several thousand dollars to do the GAAP conversion to comply with the financial reporting requirements.

Another treasurer, while recommending that school districts hire consultants to help them with valuing their fixed assets, cautioned, "Don't depend on them entirely because they probably won't be as thorough as you would like."

One treasurer said that understanding how to implement GASB Statement No. 34 and getting assistance in doing it are important in keeping the extra costs associated with implementation as low as possible. Minimizing the implementation costs of GASB Statement No. 34 is important "because you're going to be questioned on it [by school district officials], at least in the beginning. They're going to say, 'Please justify this cost.'"
Several treasurers had advice in other areas as well. One said, "Get the budgetary stuff done as soon as possible because you’re looking at it from beginning to end.” Another treasurer warned that reporting compensated absences “is a fairly major problem” because they are interpreted, calculated, and reported differently, according to the language of the different bargaining units’ contracts. The challenge increases with the size of the district’s staff and number of bargaining units.

Two treasurers advised to begin working on the MD&A early in the process of putting together the annual financial report, rather than waiting until everything else is done. Both said it is easier to collect information for the MD&A as the reporting process goes along, rather than trying to go back at the end of the process and dig out the needed information. One of the treasurers also noted that the MD&A should be more than an afterthought; it is a chance to communicate effectively with a larger audience than can be reached through the other parts of the report.

Several treasurers said it was the amount of work that, more than anything else, made GASB Statement No. 34 implementation a challenge. One treasurer advised going into implementation with a positive attitude and plenty of support. The treasurer said that by talking with other treasurers in Ohio who were going through early implementation at the same time, the treasurer benefited from the ideas of others and was made aware of implementation issues that were not immediately apparent.

One treasurer advised, “Take it [implementation] seriously and value the information that it produces.” Another agreed, saying:

You don’t want to weigh the effort against the immediate value to the district; you’ve got to be a little more farsighted and look down the road. It [GASB}
Statement No. 34 information] certainly clarifies some things that otherwise might go unnoticed.

As another treasurer said:

If you’re not willing to do it right, don’t do it at all because it takes away from the credibility of the profession. The personal gratification of doing a financial statement properly that reflects what’s going on in your district is well worthwhile.

Question 10

In response to the question, “Overall, how would you describe your experience of implementing GASB Statement No. 34?” treasurers in 10 school districts said that it was “positive,” “nearly painless,” or “rewarding.” One treasurer said that a plus of early implementation, besides the cost savings on LGS’s fees, was beating the rush of school districts implementing GASB Statement No. 34 and competing with them for LGS’s assistance on implementation issues. Another said, “It really wasn’t bad,” adding that this was the perspective several years after implementation. “It’s like childbirth, very painful to go through it, but then the further out you get, you kind of forget it [the pain]. We survived it and moved on. We’re ready for the next big thing. Bring it on!”

Eight treasurers mentioned that implementation involved a vast amount of work, more than several said they had anticipated. The treasurers said that most of the work was spent improving fixed asset records and implementing depreciation of fixed assets. Determining under which function codes to assign fixed assets, i.e., the programs under which the assets and their depreciation costs should be reported, was also time-consuming.
Most of the treasurers credited the State Auditor’s Office, and frequently LGS specifically, for making implementation much easier than it otherwise would have been. One treasurer said, “LGS has given very good support and done very well for me. It was a learning process for them also. They hung in there and did a good job. Both of us learned a lot in the process.” Another treasurer noted, “They (LGS) appreciated that a district our size would implement so early, so they were flexible with their time and helped us quite a bit. They had plenty of staff here to help us convert, so it wasn’t bad at all.” A third treasurer said, “LGS is a really strong department with some of the top-notch people in the field.”

Four treasurers questioned the purpose of the time they spent in implementing GASB Statement No. 34. One treasurer said improving fixed asset records and calculating depreciation to comply with GASB Statement No. 34 made implementation “very difficult” and resulted in the treasurer and staff doing much more work than they anticipated.

Depreciating fixed assets has made the numbers on our financial statements more realistic, but it has not helped us operationally. Insurance companies want to know what we paid for something, not the depreciated value. Depreciation has been more trouble than it’s worth!

A second treasurer said:

Unless the financial statements are widely accepted by the community, I see no significant value to the general public [of implementing GASB Statement No. 34] because of the time and effort and cost involved to prepare them. It’s another mandated state or federal requirement for those of us who are trying to teach Johnny to read at a third-grade level. To be honest, I put it together because I have to put it together. If we were in business and had to use depreciation for the purpose of taxes, yeah. But it’s hard to explain to the public that we have a 100-year-old building that we cannot fully depreciate and we’re still in, even though the [accounting] rules say that it should be fully depreciated.
A third treasurer indicated:

You know, you really don’t get much out of it [GASB Statement No. 34]. But the GFOA [Government Finance Officers Association] and ASBO [Association of School Business Officials] International recognize excellence in financial reporting. It’s nice to send off the financial report each year and get a letter from them saying you have been approved. That’s nice.

A fourth treasurer said that neither complying with GAAP nor implementing GASB Statement No. 34 has been justified up to this point. “We spend extra money for the conversion and audit.” The treasurer said complying with GAAP and GASB Statement No. 34 implementation might benefit the school district when it seeks financing for school building construction.

Large districts that do a lot of cash-flow borrowing would probably benefit from GASB 34. If you had to borrow millions of dollars at the bank to tide you over, the bank would probably be interested in the GASB 34 information.

Several other treasurers agreed that GASB Statement No. 34 might make sense for the larger school districts in Ohio, but said it was of little or no value for smaller school districts, such as theirs.

While supportive of GASB Statement No. 34, another treasurer said growing budgetary constraints in the school district might cause the school district to review its decision to comply with GASB Statement No. 34. “Am I looking not to do it [comply with GASB Statement No. 34 requirements] because of budget constraints? Not this year and maybe not next year, but if the money doesn’t materialize, it may have to go. I don’t know.”

Several treasurers mentioned that they and their districts had received recognition for early implementation of GASB Statement No. 34, which they appreciated. Several had spoken at programs sponsored by the State Auditor’s Office or professional
associations involved in providing information on GASB Statement No. 34 implementation. Several treasurers said they had received questions from other school districts, both within Ohio and throughout the U.S., about implementing GASB Statement No. 34. One district, which its treasurer characterized as being too small and remote usually even to merit news media coverage, received inquiries from the Philadelphia Public Schools and the state school system in Hawaii about implementing GASB Statement No. 34.

Summary

The primary purpose of GASB Statement No. 34 is to make annual financial reports of state and local governments user-friendly by presenting information in a more accessible format, in clearer context, and in a manner that makes it comprehensible to the financial community, legislators and officials with oversight authority, and the public. However, GASB Statement No. 34 carries no assurance that members of these three groups will use the information, or to what extent they will use it. Most treasurers in this study said they had little indication that people were using the information. Even treasurers who said that they received feedback from people who read the annual financial report indicated that persons were few in number.

GASB Statement No. 34 is a requirement for state and local governments nationwide, and so its framers attempted to write it so that it has maximum applicability to the greatest number of governments. However, the applicability of GASB Statement No. 34 and the information it produces varies among the state and local governments based on factors such as state and local laws and requirements, the size of the
government, the characteristics of the government's jurisdictional area and its inhabitants, and the nature and inclinations of the financial community, legislators and officials with oversight authority, and the citizenry with respect to the government.

The treasurers in this study almost unanimously said that the Management Discussion and Analysis section of annual reports required by GASB Statement No. 34 provides financial information in a user-friendly fashion. However, most of the treasurers reported that they had little indication that members of the financial community, legislators (the school board members) and officials with oversight authority, and citizens were reading the MD&A, or any of the other changes to their annual financial reports for that matter required by GASB Statement No. 34. However, all the treasurers in the school districts that had issued bonds since the implementation of GASB Statement No. 34 said that they wanted to believe that implementation results in their school districts obtaining a lower interest rate on the bonds.

The fact that Ohio school districts operate on a cash basis and report financial projections to the Ohio Department of Education on a cash basis appears to be an impediment to the utilization by school board members, citizens, and in some cases school treasurers and school district officials, of GASB Statement No. 34-mandated information in the school districts annual financial reports. To many of the treasurers, conversion from the cash-based financial reporting used in school district operation to GAAP financial reporting is an annual legally required ritual that, in nearly all of the school districts in this study, is contracted out, usually to the Local Government Services section of the State of Ohio Auditor's Office. It is done to meet a requirement enforced by the State of Ohio Auditor's Office. Conversion to full-accrual accounting mandated
by GASB Statement No. 34 for certain financial reporting is just another step in the contracted conversion process, which adds to the expense of the conversion. The GASB Statement No. 34 requirements in general result in greater costs for the school districts’ annual audits and financial reports because of the additional information the auditors must review.

Most of the treasurers reported that there was extra work involved for them, and sometimes staff, in implementing GASB Statement No. 34. Most of the extra work centered on improving the accuracy and completeness of fixed asset records and calculating and reporting the current value of the fixed assets, generally using the depreciation method, according to the treasurers. The other requirement that some treasurers found time-consuming was writing the MD&A. Here the problems generally were what to include in the MD&A and how to organize it. Several treasurers said that the actual writing process was difficult for them, noting that accountants’ forte generally is not writing.

The treasurers said that implementation was do-able, though to go smoothly, it took much preparation. Many expressed appreciation for the assistance of the Local Government Services (LGS) section of the State of Ohio Auditor’s Office, which provided them direction, and in most cases, did the school district’s GAAP and GASB Statement No. 34 conversions. Several admitted to a limited understanding of GASB Statement No. 34 and said they were largely dependent on LGS. But most of the treasurers said that they did not believe that GASB Statement No. 34 was cost-beneficial, and many expressed doubts that it would be cost-beneficial in the near future.
It must be noted that these were the sentiments of the treasurers who participated in the study. The treasurers of eight other Ohio public school districts declined to participate in the study or did not respond to the request to participate. One treasurer, in explaining why she would not participate, said that she had negative feelings towards GASB Statement No. 34 and the implementation process. She noted that her school district had received recognition for early implementation of GASB Statement No. 34; therefore, she did not feel it would be appropriate to make comments that reflected her true feelings. Another treasurer simply said that the work of implementing GASB Statement No. 34 was largely done by the State of Ohio Auditor’s Office, and so he did not have enough knowledge to participate in the study.

Several of the school treasurers from smaller school districts who participated in the study, including those who said they saw merit in the information required by GASB Statement No. 34, reported feeling “isolated.” They said that they did extra work to provide the information required by GASB Statement 34, such as calculating depreciation on fixed assets, but no one except them appeared to be aware of the information they produced or appreciate or its significance. One treasurer said she had made school board members listen to a presentation of the GASB Statement No. 34 by her the year after implementation because she did not want her extra work to go for naught. However, she did not make such presentations in subsequent years.

Accounting is a profession whose rules require conservatism in financial reporting. Resistance to change is a human characteristic, sometimes more pronounced among some members of a profession that encourages conservatism. GASB Statement No. 34, the most sweeping change in the more than 75 years of state and local financial
reporting history, is not likely to be warmly embraced by all members of the profession. School treasurers wear many hats, including those of school district cost controller and technical advisor to school millage and bond campaigns. The extra expense of mandated financial reporting requirements that have little obvious immediate cost-benefit at a time when school districts are reducing teaching staffs, programs, and services because of revenue shortfalls is not likely to have widespread support among school treasurers.

One of the mantras of auditors is that entities should do a better job of using the data available to them to make management decisions. Often, management’s response to this is that the benefits to the entity of improved management decisions resulting from using additional resources to obtain better information are fewer than the negative consequences to the entity resulting from diverting those resources away from other functions. This is the crux of the underlying issue with which the treasurers and school districts in this study were dealing. Because the post-implementation period has been relatively brief, and the effects of GASB Statement No. 34 have yet to be fully realized among the financial community, legislators and those with oversight responsibility, and citizens, a definitive answer cannot be reached. The school treasurers of the future, i.e., students who are now studying accounting in colleges and universities, are being schooled in GASB Statement No. 34. Their familiarity with GASB Statement No. 34 may result in a different attitude towards its costs versus benefits.
CHAPTER VII

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

Summary

Approximately 88,000 general-purpose and special-purpose state and local governments nationwide, including approximately 14,000 independent public school districts, were required to change the content and format of information that they reported in their annual financial reports. Depending on their total annual revenues, the governments were required to implement the changes in their annual financial report for the fiscal year beginning after June 15, 2001; June 15, 2002; or June 15, 2003. Requirements for the changes are contained in a 403-page document entitled, the Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments.

Statement No. 34 is generally considered to be the greatest change in the history of state and local governmental accounting and financial reporting in the United States because it alters some fundamental financial reporting standards that have been in place for approximately 70 years. The purpose of Statement No. 34 is to make government annual financial reports contain more information that is useful and that is more reader friendly and comprehensible to members of the financial community, legislative and
oversight officials, and the citizenry, which GASB identified as the three potential user groups of government annual financial reports.

GASB is an independent, nongovernmental organization that sets generally accepted accounting principles (GAAP) for state and local governments. Since its inception in 1984, GASB sponsored studies and conducted a number of surveys among stakeholders about ways to improve state and local government annual financial reports. GASB originally intended to release Statement No. 34 in 1996, but its release was delayed several times by continuing disagreements among major stakeholders, primarily state and local government professional organizations and the American Institute of Certified Public Accountants (AICPA), over Statement 34's requirements. Eventually, these were resolved and Statement No. 34 was released in June 1999.

Statement No. 34 presents several challenges to state and local governments because they must collect and report financial information that they previously did not collect, report using a different format for some financial information that they have traditionally reported, and provide a narrative summary of the most important financial information in the annual financial report. The governments had to implement Statement No. 34 in the year mandated and do so properly or face the possibility of an adverse auditor's opinion and sanctions by oversight authorities. Although a vast array of consultant services, software programs, and implementation models have been developed to aid governments in implementing Statement No. 34, the reality is that most governments must depend mainly, if not wholly, on their own personnel and resources to accomplish implementation of Statement No. 34 because of financial limitations and
political realities. The problem, then, is for state and local governments to implement Statement No. 34, a complex and arcane set of requirements, in a single year.

In 1999, the Berea (Ohio) City School District became the first public school district in the nation to implement Statement No. 34. The district early implemented Statement No. 34 after officials of the State of Ohio Auditor's Office approached school district officials, explained that they wanted a pilot district to implement Statement No. 34 for the purpose of developing implementation methodology for the Auditor's Office, and that the Office would provide assistance to the school district. The State of Ohio Auditor's Office has primary responsibility for auditing Ohio's 688 public school districts, as well municipal and other local governments in the state. In the next two years, the State Auditor's Office made similar offers to other Ohio public school districts, which resulted in 23 Ohio public school districts implementing Statement No. 34 early, more public school districts than in any other state in the nation.

This study was designed to determine the experience of government finance officers in implementing Statement No. 34 and whether they saw evidence that Statement No. 34 achieved its purpose. Because the 23 Ohio public school districts comprised the largest group of a single type of government within a geographical area to implement Statement No. 34 early, they were selected for the study and their treasurers as the study's subjects. Treasurers from 15 of the 23 school districts agreed to participate in the study, and its results are based on the telephone interviews conducted with them.

Treasurers were asked to name the most important change to their school districts' annual financial report resulting from Statement No. 34 requirements, and many
of the treasurers named several changes. Treasurers from 12 of the 15 school districts in
the study said that the Management Discussion and Analysis (MD&A) section required
in a school district's annual financial report by Statement No. 34 was most important.
Several of the treasurers said the MD&A did a good job of explaining the key points in
the annual financial report in a reader friendly manner. However, several treasurers noted
that despite this, few people, if anyone, in their school districts read the MD&A.

The Statement No. 34 requirement for the Statement of Net Assets was
considered most important by treasurers in only 2 of the 15 school districts. The required
Statement of Activities was considered most important by treasurers in 4 of the 15
school districts. However, a technical issue in the way Ohio public school districts are
required to categorize costs reduced the effectiveness of the Statement of Activities, two
treasurers noted. Reporting the Statement of Net Assets and Statement of Activities on a
school district-wide perspective was not considered to be most important by the
treasurers in any of the 15 districts. The fact that the Statement of Net Assets and
Statement of Activities are reported on the full-accrual accounting basis was considered
most important by the treasurer of only 1 of the 15 school districts.

The Statement No. 34 requirement that depreciation for fixed assets be reported
was considered most important by treasurers in 3 of the 15 school districts. However,
two other treasurers from among the 15 school districts said that depreciation of public
school district assets is pointless.

Treasurers in 3 of the 15 school districts said that the Statement No. 34
requirement to report the original budget in the annual financial report along with the
final adopted budget and actual revenues and expenditures was most important.
However, one treasurer noted that the lack of an official definition of the "original budget" for Ohio public school districts left in doubt the value of the information the requirement produced. Another treasurer complained that budget comparison unfairly blamed school district officials for failing to forecast unforeseeable costs and contain the costs, even though by law the school district was required to provide the services that resulted in the higher costs. She said that the budget comparison schedule is completely useless for school districts, so her school district provided the comparison in the Required Supplementary Information section, as required by Statement No. 34, but omitted any mention of it from the MD&A.

The requirement under Statement No. 34 that school districts report their long-term debt in the financial statements of their annual reports was considered most important by treasurers in 2 of the 15 school districts. Both treasurers were from school districts that had recently issued bonds. However, treasurers from two other school districts in the study that had recently issued bonds did not consider reporting long-term debt to be important. Several other treasurers in the study said that they did not consider it important because their school districts had no long-term debt.

Treasurers from only 5 of the 15 school districts said that Statement No. 34 was cost-beneficial. The 5 cited the MD&A as being the major improvement that made Statement No. 34 worthwhile. Those treasurers who said Statement No. 34 was not cost-beneficial said that the information it required in the school districts' annual financial report was not read by the public or school board officials (they were uncertain about the investment community), the additional information was not particularly useful,
and the Statement No. 34 requirements made producing school districts’ annual financial reports more costly and time consuming.

Conclusions

The results of this study suggest that the requirements of Statement No. 34 are largely ineffective, and sometimes irrelevant, to the operations of the public school districts in the study. In the 120 opportunities in this study that the treasurers from the 15 school districts had the opportunity to indicate that the eight changes (15 districts × 8 changes = 120 opportunities) required by Statement No. 34 were important, only 28 (23.3%) times did a treasurer indicate that a change was so. If the Management Discussion and Analysis (MD&A), which the treasurers themselves wrote for their school districts’ annual financial reports, is removed from the list of changes, then the treasurers responded only 16 (15.2%) times that the remaining seven changes required by Statement No. 34 were important. Treasurers from 10 of the 15 school districts reinforced the message that Statement No. 34 is not important, saying that they did not believe Statement No. 34’s benefits justified its cost to their school districts.

Statement No. 34 requires an MD&A section in the annual report to “provide an objective and easily readable analysis of the government’s financial activities based on currently known facts, decisions, conditions,” as GASB states in the Summary section to Statement No. 34 (GASB, 1999).

We can conclude from this study that the MD&A does provide an analysis of the school districts’ financial activities based on facts, decisions, and conditions that is more readable than the remainder of the annual financial report, at least from the treasurers’
perspective. Treasurers in 12 of the 15 public school districts in the study said that the
MD&A was an important change, and several noted that it was reader friendly and
encapsulated the most important information in the report.

Besides being the authors of the MD&A, the treasurers, of course, are
professional accountants who deal with governmental accounting on a daily basis and
prepare their school districts’ annual financial report. Terms that typically appear in a
school district’s MD&A, such as governmental funds, capital assets, fund financial
statements, capital grants, and intergovernmental revenue, are understood by the
treasurers and annual financial report readers with an accounting or finance background,
but there is little reason to believe that they are understood by the general public.
Although the treasurers may attempt to explain terms such as these in the MD&A to
make it more reader friendly, the reality is that the terms remain confusing to many
potential readers, who are likely to give up reading the MD&A rather than be forced to
endure a crash-course on governmental accounting. The fact that Statement No. 34
requires that the Statement of Net Assets and the Statement of Activities to be presented
from a government-wide perspective on the full accrual accounting basis, thus making
them more like the financial statements used in private industry, is an admission that
governmental accounting principles are arcane, even from the perspective of persons
with accounting and finance background in private industry. A skeptic might even
suggest that the MD&A, for all of its good points, is sufficiently reader unfriendly so that
not even many state or local government accountants familiar with Statement No. 34
would choose to read it unless required to by their jobs or because it contained
information that would have a serious impact on their lives.
Evidence that the MD&A largely goes unread by the public is provided by the treasurers’ answer to another question in the study. Only four (26.7%) of the treasurers in the study said that they had received questions or comments that indicated members of the public had read the MD&A, and this indication came from only two or three citizens in each of the school districts, according to the treasurers. One of the other 11 treasurers said that, although she believes that the MD&A is good because it makes one think a little more about school district finances, she said that no school district treasurer in her county had received any feedback indicating that anyone had read the MD&A. Thus, among 15 school districts that are collectively inhabited by several hundred thousand persons, the treasurers have indications of only a few persons, something less than 20, reading their school districts’ MD&A.

The results were little better among members of boards of education. Treasurers in only five school districts said that they had indications by school members’ questions, comments, or actions that they had read the MD&A. One treasurer discounted school board members’ interest in the MD&A, saying that board members stopped asking questions once he explained that increased student enrollment, which increased the school district’s cash balance because of per-pupil federal and state grants, was the cause of the increase in the school district’s net assets. In the other four school districts, the treasurers said that one or a few, rather than all, of the school board members showed evidence of reading the MD&A. Three of the four school districts where the treasurers reported this were among the highest among the school districts in the study in terms of percentage of residents with some college education and working in professional or administrative positions, and in school district revenue on a per-pupil basis.
As several treasurers in the study indicated, although school board members may be some of the more educated and affluent members from the community that elected them, they are generally not substantially different from the members of that community. Therefore, communities in which the majority of residents would likely be challenged by the terms and concepts presented in the MD&A, the school board members are likely to be challenged by the MD&A as well. Some persons would contend that school board members are more financially sophisticated than the community that elected them because of their exposure to school district operations and finances. While to some extent this may be true, all of the boards of education for school districts in this study were comprised of members who served on a part-time basis, so had limited exposure to school district operations and limited time to study its finances. Comments from the treasurers during the interviews indicated that most of the school boards leaned on the school district treasurers to tell school board members enough about school district finances so that board members could vote knowledgeably on the issues that came before them. The board members generally seemed to be satisfied with this methodology; most were not interested in the additional information that Statement No. 34 required, and left it to the treasurers to make sense of the information, the treasurers said.

There was little evidence, either, that a large segment of the investment community read the school districts’ MD&As. Although the treasurers of four school districts that issued bonds after implementing Statement No. 34 said that they wanted to believe that implementation resulted in lower interest rates for their districts’ bonds, they admitted that they have no proof of this. One treasurer said that her small school district was complimented by a bond underwriter because such a small school district had
implemented Statement No. 34 early. Another treasurer said that a bond rating service said that it was impressed by the school district’s annual financial report under Statement No. 34, and thought the changes were beneficial. No other treasurers said that they had received feedback from the investment community. Many of these treasurers said that their districts had no long-term debt and did not expect to seek financing in the near future, so there was little reason for them to be concerned with the investment community, and vice versa.

One can make a case that the need for the investment community to read the MD&A is negligible. Many school districts go a decade or more without borrowing money, as several treasurers in the study noted. In Ohio, state government pays the majority of costs for new school buildings in school districts that it selects based on a rating system if the school districts will obtain financing within a year or so to pay the remainder of the cost of the new building. This arrangement greatly reduces the amount of financing a school district must obtain, and thereby reduces the level of scrutiny of the school district by the investment community and the interest rate on the money that the district borrows. In some other states, such as Michigan, school districts and other local governments can sell bonds through a state bond authority, which reduces the risk to the creditor and the interest that the school district or local government must pay for borrowed money.

Also, the bond rating services and bond underwriters have developed a workable methodology over many years for determining the creditworthiness of school districts. It is unlikely that the MD&A would contain information that substantially changes a school district’s bond rating. Much has been made in articles and seminars on Statement No. 34
about the importance the investment community will place on the condition of a
government's infrastructure and other fixed assets, and its ability to accurately predict
actual revenue and expenditures in its original budget and take measures to control
expenditures if they threaten to exceed the budget. However, these statements have
generally come from persons outside of the investment community and are conjecture on
their part as to whether and how the investment community will use the additional
information that Statement No. 34 requires. There have been a few public comments
from officials of bond rating services and other financial analysts that they generally like
the changes that Statement No. 34 requires and will review the additional information in
governments' annual financial reports that result from it (National Press Club, 2002).
However, it is as yet unclear whether this additional information will play a significant
role in the analysts' assessment of governments' creditworthiness. One would expect
that the analysts, being judicious business persons, will weigh the value of the additional
information over a period of years before substantially altering the methodology for
determining creditworthiness that has served well for many years.

The treasurers in the study indicated that the other seven changes about which
they were asked were even less useful than the MD&A. The treasurers who mentioned
receiving feedback from the school board or the citizenry regarding the Statement No.
34 changes did so with reference to the MD&A; they did not mention receiving feedback
regarding any of the other seven changes that Statement No. 34 mandates, with the
exception of one treasurer, whose board members asked him about the increase in net
assets resulting from enrollment increases.
One of those seven changes is the requirement that the annual financial report contain a school district-wide Statement of Net Assets. The Statement of Net Assets, as stated in the Preface to Statement No. 34, is intended to help annual financial report users:

- Assess the finances of the government in its entirety, including the year’s operating results.
- Determine whether the government’s overall financial position improved or deteriorated.
- Understand the extent to which it has invested in capital assets, including roads, bridges, and other infrastructure assets.
- Make better comparisons among governments. (GASB, 1999)

Only 2 of the treasurers in the study said that Statement of Net Assets was an important change. This was largely because of the method of accounting used in Ohio public school districts and the nature of school districts themselves, according to the other 13 treasurers in the study. The Statement of Net Assets presents financial information on a school district-wide basis using full accrual accounting. The 15 school districts in this study operated on a cash basis using fund accounting throughout their fiscal year. Following the end of the fiscal year, a copy of the school districts’ financial statements were converted, usually by a consultant division of the State of Ohio Auditor’s Office, to the modified accrual and full accrual accounting bases, as required by generally accepted accounting principles (GAAP), for the school districts’ annual financial reports. The annual financial reports are issued some 3 to 6 months after the end of the school districts’ fiscal year. The treasurers said that they do not use anything but cash basis accounting for school district operations, and for reporting on school
district finances to the school board, citizenry, and in negotiations with school district employee bargaining groups. The school districts are required by Ohio law to annually file a five-year projection of their revenue and expenses using cash accounting basis with the Ohio Department of Education. Therefore, the Statement of Net Assets has little relevance to the school districts because of its accounting basis and the timing of its release.

In addition, the Statement of Net Assets reports on investment in capital assets, but several treasurers in this study said that their school districts' capital assets mainly consisted of school buildings and school buses. There was little change in the number or condition of school buildings from year to year, the treasurers said, and the age and condition of the bus fleets could be monitored through other records, such as maintenance records, apart from the school districts' accounting records.

Several treasurers said that members of the three user groups who wanted to check on the financial condition of the school district would be more likely to read the school districts' five-year financial projections on the Ohio Department of Education's public website than to read the Statement of Net Assets.

Another change Statement No. 34 requires is a school district-wide, full accrual accounting basis Statement of Activities, which, according to the Preface, is intended to help the financial report user:

- Evaluate whether the government's current-year revenues were sufficient to pay for current year services,
- See the cost of providing services to its citizenry,
- See how government finances its programs—through user fees and other program revenues versus tax revenues. (GASB, 1999)
Four treasurers said that the Statement of Activities was important, but noted that school board members and the public generally did not pay much attention to it. The Statement of Activities shares two of the weaknesses of the Statement of Net Assets—it is presented on the full accrual basis of accounting and issued 3 to 6 months after the end of the fiscal year—and one that is singularly its own. This third weakness is that, to some extent, the cost of certain programs has little to do with whether they will exist. As one treasurer noted, school districts must by law, if not moral obligation, provide education aides, transportation, and other accommodations for special needs students, regardless of the cost. Certain core curriculum, such as mathematics, science, and reading, must also be provided by state law or the school district may face being dissolved or taken over by the state. Community expectations that certain programs, such as athletics and band, will be provided also limits the degree to which school board members and school district officials have discretion in trimming or eliminating programs. School districts that do not offer the programs that students and parents want face the real possibility of students migrating to nearby school districts or charter schools, thereby further worsening the school district's financial woes because of the loss of federal and state grants that are tied to student enrollment. The issue often, then, is not to identify the programs that drain school district resources, but to identify creative ways to provide the programs, trim their costs, or raise additional revenue. The Statement of Activities is of little use in these areas.

Also, a problem with the Statement of Activities in Ohio is that the state-mandated coding system for capturing costs in public school districts may conceal the costs of a program, one treasurer said. For example, transportation costs are captured
under one code, rather than being captured in the programs for which the transportation is being provided. Therefore, transportation costs, often an expensive component of a program, are omitted from program costs, resulting in underreporting the cost of the program. Although this study concerned itself only with school districts in Ohio, it is conceivable that some other states have similar coding systems for expenses that counteract the intended outcomes of the Statement of Activities.

Another change Statement No. 34 requires is that the Statement of Net Assets and Statement of Activities be presented with a school district-wide perspective, which is intended to place financial managers in a better position to provide an analysis in the MD&A of whether the school districts’ financial position has improved or deteriorated as a result of the year’s operations, according to the Preface to Statement No. 34. GASB intended the district-wide perspective to resolve the complaint that fund accounting provides diffused information that makes it difficult for the annual report reader to understand the overall financial position of the school district.

None of the treasurers in the study, who are the financial managers to whom GASB refers in the Preface, said that the district-wide perspective was an important change. Of course, the treasurers deal with fund accounting on a daily basis, and therefore do not find it as perplexing as do many other people. In addition, those treasurers who had been on the job for more than a year before implementation of Statement No. 34 were used to producing annual financial reports based entirely on fund accounting.
Another requirement of Statement No. 34 is that the Statement of Net Assets and the Statement of Activities in the annual financial report be presented on a full-accrual basis. GASB states in the Preface to Statement No. 34, full-accrual accounting measures not just current assets and liabilities but long-term assets and liabilities (such as capital assets, such as infrastructure, and general obligation debt). It also reports all revenues and all costs of providing services, not just those received or paid for in the current year or soon after year-end” (GASB, 1999)

Only one treasurer in the study said that the change to full accrual accounting was important. She said that it is important because it shows the true net worth of the school district by recognizing revenues when they are earned and expenses when they are incurred. However, the treasurer of a school district with a financially sophisticated school board and citizens, argued that Statement 34’s requirement for full accrual accounting on certain financial statements but not others is confusing. He said that it was difficult to explain and expect listeners to remember that some of the financial statements in the annual financial report are presented on a modified accrual basis and others are presented on a full-accrual basis. He said that all financial statements should be presented on a full accrual basis.

Several treasurers said that, although presenting financial information on a full-accrual basis is theoretically useful, the reality is that Ohio school districts are accustomed to using cash-basis accounting and are adept at knowing their outstanding obligations and expected revenues without using full-accrual accounting. One treasurer noted that all adding full accrual accounting to the annual financial report did was increase the number of steps and cost to the school districts to convert their cash-based financial records to comply with GAAP.
The reality is that the differences between modified accrual and full accrual accounting are too arcane to be understood or matter much to a majority of the members of the three user groups, except state agencies overseeing school district finances and, possibly, portions of the investment community. As several treasurers suggested, even within the school district administration, the treasurers are oftentimes the only ones who understand the differences between the two accounting bases.

Statement No. 34 also requires that the annual financial report contain the original and final amended budgets as well as actual revenues and expenditures. GASB says in the Preface to Statement No. 34 that including the original budget in the annual financial statement will increase a government’s accountability “to those who are aware of, and perhaps made decisions based on the original budget. It will also allow them to assess the government’s ability to estimate and manage its general resources.”

As several treasurers in the study noted, GASB’s rationale for the budget comparison does not reflect the realities of public school district finances in at least some public school districts. Public school districts often have little control over their revenues and expenditures and little advance warning when either are about to change dramatically. For example, in Ohio, as is the case in many other states, the source of a large percentage of school district revenues is frequently federal and state grants provided on a per-pupil basis. As Table 6 in Chapter V entitled, “School District Revenue” of this study shows, the percentage of total revenue school districts in this study received from grants and other non-tax sources ranged from 19.5% to 84%, with a median of 55.1%. An unexpected dip in student enrollment, for example because they choose to enroll in a newly opened charter school in the area or as a result of an outward
migration of families from the area for economic reasons, can create a fiscal crisis for a school district that was previously solvent. Even if a school district’s enrollment remains stable, the district is not guaranteed that it will continue to receive the same amount of state and federal aid. In recent years, states such as Ohio and Michigan have had to cut their aid to public school districts because the states have experienced their own revenue shortfalls resulting from an economic downturn that has impacted businesses in the states, particularly manufacturing. These same economic downturns can also prove financially devastating to individual public school districts when a business or manufacturer that is a major property taxpayer to the school district or employs a substantial number of employees who pay income tax to the school district closes or severely curtails its operations.

On the expenditures side, as one of the treasurers noted, if several special needs students unexpectedly enroll in a small school district, the district’s finances may be thrown into a crisis by the cost of education aides, transportation, and other special accommodations that the school district is required by law to provide to the students. One of the three treasurers in this study, who said that the original budget requirement is an important change, admitted that reporting the original budget can result in school district officials being made to appear to be poor budgeters and cost-controllers by unforeseeable events subsequent to the adoption of the original budget. Another treasurer was less diplomatic, terming the comparison of the original and final adopted budget as “useless.” She said that her school district provided the comparison as required by Statement No. 34 in the Required Supplementary Information section, but omitted any mention of it in the MD&A.
Another treasurer noted that the Statement No. 34 requirement that the original budget be based on certified tax receipts is not very useful in Ohio because those receipts do not include federal and state grants and other non-tax sources of revenues that, as we noted earlier, comprised a median of 55.1% of the total revenues of the school districts in this study. Holding a school district accountable for adhering to a budget that is comprised of the certified tax receipts, i.e., 45% of the school district’s total revenue, is not only ineffective, but may be misleading to readers of the school district’s annual report who do not understand how school district operations are actually financed. Although this study was confined to Ohio, public school district financing in other states may similarly render the comparison of the original budget, formal adopted budget, and actual revenues and expenditures largely meaningless.

Statement No. 34 requires that school districts report depreciation on fixed assets. This information is intended to provide a clearer picture of the school district’s financial position by indicating whether the fixed assets are viable economically or are near the end of their service life and in need of replacement. In the past, some school districts, and other local and state governments, have deferred rehabilitation or replacement of fixed assets during times of declining revenues or in the face of resistance from taxpayers to higher taxes. The deferment oftentimes resulted in a financial crisis for the school district or government when multiple fixed assets were no longer serviceable and the government was faced with the nearly insurmountable task of funding replacement fixed assets.

Four treasurers in the study considered this change important, though one treasurer said its main value was that it enabled the school district get a lower premium
on insurance coverage for the fixed assets. However, another treasurer noted that depreciation of fixed assets was one of the more important ways of determining the financial condition of a school district. Two other treasurers disagreed, saying the depreciation had little merit in a school district whose main fixed assets were buildings in excess of 50 years old, and because reporting depreciation provided no tax benefits to school districts, as is the case in private industry.

The declining value of a school district’s fixed assets should be one of the easiest concepts to understand and monitor for members of the three user groups who lack financial sophistication. It should provide easy insight into a school district’s financial condition. On the other hand, most treasurers in the study said that upgrading their school districts’ fixed asset records so that they were complete and accurate and putting in place a system to automatically record depreciation was the most time-consuming part of implementing Statement No. 34. It can be argued that this was evidence of the inadequacy of the school districts’ fixed asset records prior to implementation and that a similar upgrade should not be necessary in future years. However, the fact that some school districts kept their reporting threshold for fixed assets low threatens to make their fixed asset records relatively expensive and cumbersome to maintain in future years unless they increase their thresholds.

In any case, the reporting of fixed and depreciation should be for the purpose of reporting the financial condition of the school system. If instead, the primary purpose of the fixed asset system is to maintain a list of fixed assets and the year in which they will need to be replaced, then the system has drifted away from its intended purpose. Lists of
fixed assets and replacement schedules can be maintained more simply and economically when they do not involve the school district treasurer and accounting records.

As noted earlier in this dissertation, it is unclear to what extent the investment community will use the value of school districts’ fixed assets in determining their creditworthiness. The issue is a moot one, of course, until a school district decides to borrow money or unless it has outstanding debt that is still in play in the secondary financial market. In many cases, it may be more than a decade before a school district needs to borrow money. Even then, if a school district issues bonds to build a new school but state government pays the majority of cost for a new school building or the school district issues its debt through a state bond authority, the school district may be at least partially insulated by the state against higher interest rates. If so, then the value of the school districts’ fixed assets may not have a material effect on the interest rate that the school district obtains on its bonds.

The other change required by Statement No. 34 on which treasurers in this study were interviewed was the requirement that school districts report long-term debt in their financial schedules. This requirement produces information not only on a school district’s indebtedness, but indicates the claim that creditors will have on school district resources until the debt is retired. This information should be relatively easy to understand, even for the annual financial report reader who is not financially sophisticated. However, many treasurers in the study said that their school districts had no long-term debt, and therefore, they did not consider this an important change.

Of the four school districts that issued bonds after they implemented Statement No. 34, treasurers from only two of them said that the reporting of long-term debt was
an important change. As one treasurer noted, school district officials and school board members are aware of the long-term debt of their school districts and the claim creditors have on the district’s resources even without the Statement No. 34 reporting requirement. Therefore, to them, this change may be relatively minor. However, to the citizenry, who collectively tend to have a short memory and is composed of some persons who did not live in the school district when the debt was issued and, therefore, may be unaware of it, the reporting of long-term debt has greater value.

The investment community might benefit from a school district reporting its long-term debt in its financial statements if there were no other means of detecting the debt. However, the fact that bonds or other debt instruments were issued by a school district and the details of the transaction and repayment to date are well documented in school district and state oversight agency records and in financial service databases, which are readily accessible to the investment community.

Recommendations

GASB essentially created a one-size-fits-all set of requirements for 88,000 state and local governments nationwide with Statement No. 34. However, various types of governments serve different purposes, operate differently, obtain their revenue from different sources, are monitored by different oversight agencies, and are bound by different laws and regulations. Moreover, the same type of government, such as public school districts, in different states have many of the aforementioned differences because of the differences in state laws, state government structure, and in the legal relationship between local and state government in the various states.
As noted earlier in this dissertation, GASB listed in the Preface its reasons for the changes that Statement No. 34 requires. These reasons included a number of assumptions about the value of information that the requirements would produce and how that information would benefit and be used by the investment community, legislative and oversight officials, and the citizenry.

The treasurers who participated in this study challenged some of those reasons and assumptions, not because they subscribe to an iconoclastic philosophy, but based on their own experience of implementing Statement No. 34 and seeing its effects in their school districts. Although this was a small study confined to a few public school districts in one state, it raises some questions about the relevance, applicability, and necessity of some of Statement No. 34’s requirements, at least as far as public school districts are concerned. Further studies should be done in this area and in other types of local governments to determine whether these questions are legitimate and need to be addressed and whether there are similar problems or others not found in this study related to other types of local governments.

Also, GASB should be monitoring the effects of and difficulties with application of Statement No. 34 and maintaining an on-going dialog with all types and sizes of state and local governments from every area of the country. It is unrealistic to believe that all of Statement No. 34’s requirements are perfectly formulated or that they can or should be applied across-the-board to every type and size of local government in every state. Ideally, Statement No. 34 should be a work-in-progress for as long as it exists so that as significant events occur, trends develop, and the problems and operations of governments change, Statement No. 34 can evolve so that it can continue to achieve its
intended purposes. Statement No. 34 was developed to address problems that arose because relatively little changed in governmental accounting and financial reporting for nearly 70 years, even though governments and the communities that they serve changed dramatically in that time. Changes occur more rapidly today than they did during much of that 70-year period; therefore, if Statement No. 34 does not evolve to deal with those changes, then it will become outdated much more quickly than some of those governmental accounting and financial reporting practices established in the 1930s.

Specific recommendations, based on study results are:

• Public school districts should issue for the citizenry a concise, simple, easily understandable summary of their annual financial reports written at the level of a respected mass-market publication, such as a news magazine. This would assure that most members of the largest user group, the citizenry, would have access to the school district's financial information in a form that they can understand. Those interested in more information could then turn to the MD&A or other parts of the annual financial report for additional information. Patton (1975) made a similar recommendation but it was not adopted by GASB. The costs of circulating the “citizens’ report” could be minimized by posting it on the school district’s website. State oversight agencies, as the State of Ohio Auditor's Office or Ohio Department of Education could also post the report, thus assuring the report remains unchanged once published on-line.
• GASB and state oversight agencies, such as the State of Ohio Auditor’s Office and the Ohio Department of Education, should form a working relationship and coordinate their efforts so that there is a single set accounting and financial reporting requirements with which a school district must comply. The goal of GASB and the agencies should be to select requirements that best serve the public good and do not add unnecessary expense to government by mandating accounting and reporting practices that are ineffective and contradictory. In some cases, Statement No. 34 requirements may need to be waived or changed to be consistent with state laws and regulations that do a better job of serving the public good or because of systemic issues, such as the fact that many school districts receive the majority of their revenue from non-tax sources, thus making budget comparisons based on tax revenues of little value. In other cases, the state may need to change its laws and regulations to ensure compliance with Statement No. 34 requirements that are more effective in ensuring school districts follow proper accounting and financial reporting practices.

• Statement No. 34 should exempt or partly exempt from its requirements small school districts, for example, those with less than $10 million in annual revenue. There is generally little need for intense financial scrutiny of small school districts because their operations are relatively transparent and they are not of particular interest to the investment community because they seldom issue debt instruments. The cost of compliance with Statement No. 34
for small districts is greatly disproportional to any public benefit derived from compliance. Exemptions could be rescinded, for example, at the request of a state oversight agency, if it appears that closer monitoring of a school district's finances is warranted.

- GASB should review Statement No. 34 requirements for possible unintended effects and change those whose effects are counter to good public policy. Budget comparisons, for example, that penalize a school district for exceeding its budget because the district complied with state and federal laws and requirements by providing necessary services to special needs students do not serve the public good. In addition, such comparisons actually mislead the annual report reader by omitting the mitigating circumstances that led to increased expenditures.

- GASB should review with respect to public school districts its reasons for Statement No. 34 requirements and the assumptions it made about the usefulness of the information that the requirements produce. Requirements aimed at producing information that the investment community needs make little sense if a school district seeks financing only under the auspices of a state bond authority. In the event that the financial community were to need information omitted from the annual financial report, the school district could provide current and past information at the time it seeks to borrow money.
REFERENCES


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Appendix A

Questions
Questions

1. Has Governmental Accounting Standards Board (GASB) Statement No. 34 brought about any changes in the way that your school district prepares its comprehensive annual financial report (CAFR)? Please explain. Does your school district keep two sets of books, restate financial information, or do anything else that it did not do prior to GASB Statement No. 34?

2. Has GASB Statement No. 34 resulted in any changes in the use of resources or amount of resources used in preparing your school district’s CAFR? Please explain. Have the benefits derived from GASB Statement No. 34 been sufficient to justify the costs associated with it?

3. Have there been changes in your school district’s financial record keeping as a result of GASB Statement No. 34? What changes, if any, have there been in record keeping for capital assets? What changes, if any, have there been in record keeping for the declining value of capital assets (depreciation or alternate methods)? What changes, if any, have there been in record keeping for long-term debt? What changes, if any, have there been in record keeping for program revenues? What changes, if any, have there been in record keeping for program costs? What changes, if any, have there been in record keeping for program subsidies? What changes, if any, have there been in record keeping for budgeted revenues and expenditures?

4. Has the way that your school district operates changed in any way other than you have already noted, as a result of GASB Statement No. 34?
5. What are the major changes in appearance of your school district's CAFR as a result of GASB Statement No. 34?

6. Of the following changes that GASB Statement No. 34 requires, which do you consider to have the most significance and why?

   Item A: A Management Discussion and Analysis Section that provides summary financial information and non-technical explanation of the school district's financial condition?

   Item B: A district-wide Statement of Net Assets that includes capital assets and long-term debt?

   Item C: A district-wide Statement of Activities that presents program revenues, costs, and subsidies?

   Item D: The Required Supplementary Information Section that allows presentations of information, such as actual revenues and expenditures compared with those in the original budget and the budget certified for taxes?

   Item E: The fact that some financial statements are presented on a school district-wide basis?

   Item F: The fact that financial information is presented on a full accrual accounting basis and with an economic resource focus?

   Item G: The fact that the value of capital assets and their decline in value over time are reported?

   Item H: The fact that long-term debt is reported?
7. Have the questions raised about your school district’s finances by the financial community changed since your district implemented GASB Statement No. 34? Have the questions raised about your school district’s finances by school board members and government officials with oversight responsibility changed since your district implemented GASB Statement No. 34? Have the questions raised about your school district’s finances by the public changed since your district implemented GASB Statement No. 34? What impact have these questions had on the school district’s public website? Have school district officials considered these questions when determining whether to seek a renewal of or additional school financing from the public, the type and amount of financing to seek, and the message to present to the public during the campaign to obtain school financing? Has your school district used the responses to determine the message to present to the public during the campaign to obtain school financing?

8. Were there any other changes that resulted from GASB Statement No. 34 that we have not discussed? If so, please describe them and the impact that they have had on your school district and you as the school finance officer.

9. What information would you impart to a school district about to implement GASB Statement No. 34?

10. Overall, how would you describe your experience of implementing GASB Statement No. 34?
Appendix B

School Districts
School Districts

The Ohio public school districts that participated in this study were:

<table>
<thead>
<tr>
<th>School District</th>
<th>County</th>
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<tbody>
<tr>
<td>1 Berea City</td>
<td>Cuyahoga</td>
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<tr>
<td>2 Caldwell Exempted Village</td>
<td>Noble</td>
</tr>
<tr>
<td>3 Chagrin Falls Exempted Village</td>
<td>Cuyahoga</td>
</tr>
<tr>
<td>4 Clark-Shawnee Local</td>
<td>Clark</td>
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<tr>
<td>5 Franklin Local</td>
<td>Muskingum</td>
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<tr>
<td>6 Fredericktown Local</td>
<td>Knox</td>
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<tr>
<td>7 Greenville City</td>
<td>Darke</td>
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<tr>
<td>8 Joseph Badger Local</td>
<td>Trumbull</td>
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<tr>
<td>9 Kenton City</td>
<td>Hardin</td>
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<tr>
<td>10 Parma City</td>
<td>Cuyahoga</td>
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<tr>
<td>11 Rocky River City</td>
<td>Cuyahoga</td>
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<tr>
<td>12 Saint Clairsville-Richland City</td>
<td>Belmont</td>
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<td>13 Sidney City</td>
<td>Shelby</td>
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<tr>
<td>14 Waverly City</td>
<td>Pike</td>
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<tr>
<td>15 Western Brown Local</td>
<td>Brown</td>
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Appendix C

Human Subjects Institutional Review Board
Letter of Approval
Date: October 13, 2004

To: Peter Kobrak, Principal Investigator  
Michael Amspaugh, Student Investigator for dissertation

From: Amy Naugle, Ph.D., Interim Chair

Re: HSIRB Project Number: 04-06-15

This letter will serve as confirmation that your research project entitled “Implementation of Governmental Accounting Standards Board Statement Number 34 in the Comprehensive Annual Financial Reports of 23 Ohio Public School Districts” has been approved under the exempt category of review by the Human Subjects Institutional Review Board. The conditions and duration of this approval are specified in the Policies of Western Michigan University. You may now begin to implement the research as described in the application.

Please note that you may only conduct this research exactly in the form it was approved. You must seek specific board approval for any changes in this project. You must also seek reapproval if the project extends beyond the termination date noted below. In addition if there are any unanticipated adverse reactions or unanticipated events associated with the conduct of this research, you should immediately suspend the project and contact the Chair of the HSIRB for consultation.

The Board wishes you success in the pursuit of your research goals.

Approval Termination: October 13, 2005