

**GASB 35
2010**

According to O.A.C. § 117-2-03, all local public offices (in this case, public colleges and universities) must file an annual financial report with the Auditor of State that is in conformity with generally accepted accounting principles (GAAP). This rule is promulgated under O.R.C. § 117.20, and authorized under O.R.C. § 117.38. According to O.R.C. § 117.38, Ohio public colleges and universities must file their reports within 150 days after the close of the fiscal year (generally by the end of November). Failure to do so may result in a fine, though the fine is capped at \$750. When the report is transmitted to the Auditor of State, the public college or university must publish a notice indicating the completion of the report and notifying the public that a copy is available for inspection at the office of the chief fiscal officer.

The Governmental Accounting Standards Board is a private, non-profit group that establishes accounting and financial reporting standards for government with the support of the Financial Accounting Foundation. In November 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 35 on the basic financial statements and management's discussion and analysis for public colleges and universities; in Ohio, public colleges and universities are viewed as 'public offices' for O.R.C. § 117.38 and O.A.C. § 117-2-03 by virtue of O.R.C. § 117.01 and O.A.C. § 117-1-01, respectively. GASB Statement No. 35 is an amendment to GASB Statement No. 34. GASB 34 articulated a new model for financial reporting based on the notion of tying governmental services to their costs. This required a report that includes a section of management discussion and analysis (MD & A) that reviews the financial performance of the district, basic financial statements that are government-wide and fund-based, and detailed notes to the financial statements. GASB 34 solidified the long-term perspective of state and local governments, expanded their public accountability of districts, and increased scrutiny of governmental priorities and finances. It was also designed to create more relevant and comprehensible information for citizens, legislative bodies, and investors and creditors (See GASB Concepts Statement No. 1, *Objectives of Financial Reporting*, paragraph 30).

The reporting requirements articulated under GASB 35 added a level of insight, detail and purpose to the annual statements required by law. Under GASB 35, basic financial statements are to be based upon the accrual basis of accounting and utilize the economic resources measurement focus. The statements are comprised of management's discussion and analysis of the district's financial activities, a statement of net assets and a statement of activities, fund-based statements about the major and minor governmental and enterprise funds, notes to financial statements, and required supplementary information that includes a budgetary comparison of the district's original, final and actual information regarding its general fund and major special revenue funds. For members and the public at large, the net result of these changes was a clearer understanding of the financial inputs and service outputs of districts separated by function, with a new emphasis on the value of infrastructure and other long-term assets.

As an amendment to GASB 34, GASB 35 echoes the impact of FASB 106 in its elevation of the importance of operating debts such as post-employment employee costs such as pension and health care, and supports the development of multi-year budgeting. This Statement required

public colleges and universities to report its financial statements using the accrual rather than the cash basis of accounting, and collect data relative to infrastructure costs. This occurred in 3 waves: Institutions with total annual revenues of \$100 million or more should have applied GASB 35 changes in financial statements for periods beginning after June 15, 2001; those institutions with total annual revenues of between \$10 and \$100 million should have implemented the changes for periods beginning after June 15, 2002, while institutions with total annual revenues of less than \$10 million should have applied the requirements of GASB 35 for periods after June 15, 2003. Two additional Statements were offered by the GASB to assist government implementation of GASB 34 and 35: Statements No. 37 and 38, which were both published in June 2001.

In March 2009, GASB released Statement No. 55 to clarify the hierarchy of generally accepted accounting principles for all state and local governments to prioritize its pronouncements. The sources of accounting principles were prioritized as follows: GASB Statements and Interpretations; GASB Technical Bulletins¹, AICPA Practice Bulletins², and GASB Implementation Guides.

Questions regarding this Research Bulletin should be directed to Gregg Gascon in the Collective Bargaining and Research Division at gascong@ohea.org or telephone number (614) 227-3019.

¹ And, if specifically made applicable to state and local governmental entities by the American Institute of Certified Public Accountants (AICPA) and cleared by the GASB, AICPA Industry Audit and Accounting Guides, and AICPA Statements of Position.

² If specifically made applicable to state and local governmental entities and cleared by the GASB, as well as consensus positions on accounting issues applicable to state and local government entities.

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