Municipal Government Financial Reporting: Administrative and Ethical Climate

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This article examines financial disclosure in U.S. cities. It considers factors that affect the level of municipal financial disclosure, in particular the effect of administrative factors. It finds that participation in the Government Finance Officers Association Certificate of Excellence in Financial Reporting program, and the Chief Financial Officer's familiarity with the activities of the Governmental Accounting Standards Board are positively associated with more disclosure. These latter factors are interpreted as measures of professionalism and are furthered by the adoption of municipal codes of ethics which stress openness and responsiveness to stakeholder interests. Such general policies are indirectly associated with heightened levels of financial disclosure. Financial disclosure is also associated with city size and demands from capital markets.

The quality of a government's financial reporting system is a key to effective governance and administration through the information that it provides to stakeholders.[1] Public administrators depend on financial information about public revenues, expenses, assets, and liabilities; citizens require information about government spending, tax rates, debt management, and program management; legislators and oversight bodies need reliable information on legal compliance and financial stewardship; and credit markets look to such information for deciding about a government's ability to service its debts. Conversely, the absence of accurate and relevant financial disclosure diminishes the capacity to govern. A case in point is New York's fiscal crisis. Harrison Goldin, Comptroller for the City, likened that city's accounting and reporting practices to a surrealistic landscape with "a gamut of irrational accounting steps and tortured definitions" that did not serve the needs of its stakeholders.[2] One of the key reforms

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adopted by New York was a thorough overhaul of its distorted accounting and budgeting process.[3]

The purpose of this study is to better understand how U.S. cities vary in their financial disclosure practices. It examines the extent of financial disclosure that cities provide, as well as a range of factors that assist in explaining why these differences occur. Existing studies often attempt to explain patterns in financial disclosure by examining such non-administrative factors as the needs of bond markets and voters. A gap exists in the literature of studies that take administrative factors into account. This study responds to this need by examining the roles of administrative capacity and context on financial disclosure. Included within these factors are the familiarity of chief financial officers with regulations set by the oversight bodies, as well as policy decisions by city governments to provide certain disclosures. The efficacy of disclosure on policies that promote a climate of openness and responsiveness in municipal governments is also examined.

FRAMEWORK

From a regulatory perspective, cities have considerable leeway in deciding how much financial disclosure they provide. Many states have adopted the Generally Accepted Accounting Practices (GAAP) as minimum requirements for municipal financial disclosure. However, in practice, states do not use disciplinary devices to ensure compliance by cities. Rather, cities are sanctioned by credit rating agencies which consider non-compliance, as determined by a city's independent auditors, to be a negative rating factor which increases the costs of borrowing. Such ratings do not necessarily ensure compliance, and in practice many cities choose to provide more, and in some cases, less information than GAAP requirements.

This study posits that the level of municipal financial disclosure is determined by (1) the demands of stakeholder groups and (2) the administrative capacity and context of the city. Virtually all researchers have studied the demands of "external" stakeholder groups such as capital markets, oversight bodies, and voters. These studies hypothesize that cities with high debt levels provide more disclosure in order to satisfy the needs for reliable and complete information by bond markets. They also examine whether cities provide more financial disclosure when they are located in states that require cities to comply with GAAP rules, and whether cities supply more disclosure in the presence of hotly contested political races, because both incumbents and challengers use financial information in their campaigns. Studies find that cities with high debt levels and high degrees of political competition disclose more information in their financial reporting. GAAP compliance rules are sometimes found to be associated with the level of disclosure.[4]

Studies of "external" demand factors have been instrumental in identifying the financial data requirements of stakeholders. Jones and associates examined the perceived information needs of oversight bodies, creditors, and citizens.[5] From interviews

with these users and through survey responses, these researchers identified a list of desired disclosures. Ingram and Robbins modified this list and surveyed the extent to which local governments disclose these information items.[6] This study uses the Ingram-Robbins list regarding desired disclosures. It considers thirty key disclosures of assets, liabilities, budgets, taxes, and miscellaneous concerns. These disclosure items, including a brief statement regarding their importance, are listed in Table 3 along with results from our survey research which are discussed further below.

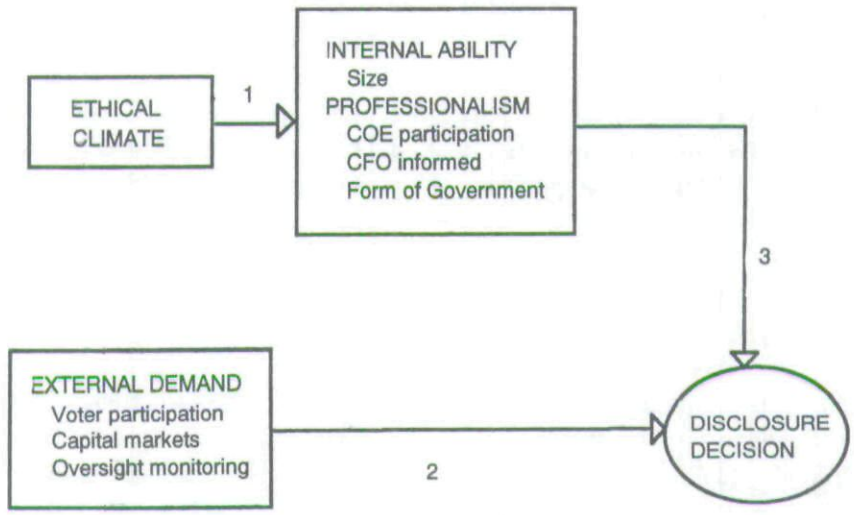
While acknowledging the importance of stakeholder demands, this study focuses on administrative capacity and context as factors that also affect financial disclosure. With regard to administrative capacity, this study considers (1) the effect of the familiarity of the Chief Financial Officer (CFO) with Government Accounting Standards Board (GASB) standards, taken as a measure of the CFO professional depth, and (2) participation by the city in the Certificate of Excellence Program (COE). Increased awareness about professional standards is hypothesized to increase financial disclosure because of enhanced knowledge about reporting requirements and professional norms. Participation by the city in the Certificate of Excellence Program provides norms and technical assistance for levels of financial disclosure beyond those specified by the GASB, and is also expected to increase disclosure.

Key factors of the administrative context affecting financial disclosure are (1) city size and form of government and (2) openness in city government. City size and council-manager form of government are often associated with heightened levels of professionalism. Larger cities have a larger resource base which enables them to maintain larger professional staffs as well as afford the cost of increased financial reporting and disclosure. City-manager forms of government are associated with reform-style, professional management. Municipalities encouraging professionalism in their administrators are also more likely to provide high levels of disclosure (and hence, reporting quality), because doing so is consistent with many professional norms and increases the competitiveness of professionals in the job market.

Finally, general policies about openness are also important. Previous studies find considerable variation in the extent that cities have adopted formal policies to ensure openness and responsiveness to the needs of citizens and other stakeholders.[7] In this study, we posit that cities which have a code of ethics are more likely to have policies about promoting openness and disclosure than cities that have not adopted such policies. This occurs because the adoption of a code of ethics is generally part of such policies. That is, we take the adoption of a code of ethics stressing openness and stakeholder responsiveness as an indicator that these qualities are valued and encouraged, creating an ethical climate that supports greater financial disclosure.

The relationships hypothesized in this study are shown in Figure 1. Financial disclosure is thought to be directly affected by external factors (voter competition, bond market demands, and oversight monitoring), as well as administrative capacity (COE participation) and measures of professionalism (CFO informed of GASB activity, city-manager form of government, and large city size). However, we hypothesize that the

FIGURE 1
Influences on the Disclosure Decision



effect of general openness and responsiveness on financial disclosure is *indirect,* namely, through COE participation and the extent of being informed of GASB standards. Specifically, the more that a city emphasizes openness and responsiveness, the greater the likelihood that the city will participate in the COE program in order to signal to stakeholders the quality and reliability of its reporting. Also, related to openness is the likelihood that the CFO will be informed of the activities of oversight bodies in order to incorporate the latters' needs into its financial reporting.

THE STUDY

Disclosure data were obtained through a survey administered during fall 1991 to municipal CFOs in 1,002 cities with populations over 20,000, as defined by the 1986 Census.[8] To facilitate comparison with earlier studies, individual disclosure items for the survey were obtained from Jones and associates and Ingram and Robbins.[9] Following a pre-test, the first mailing yielded 263 usable responses; two follow-up mailings resulted in eighty-seven and eighty-nine usable responses respectively. Thus, a total of 439 responses were obtained for a response rate of 44 percent.

Two standard procedures were used to test for the representativeness of the sample. First, Table 1 profiles the sample in terms of city size and level of debt, both of which are relevant factors in this study. It is seen that the sample slightly under-represents the largest cities but otherwise it captures a good representation of the size distribution of cities and the level of per capita debt. Second, a comparison was made of financial disclosure between cities that responded early and late to the survey, but no significant differences were found between early and late responders.

TABLE 1
Comparison of Sample Characteristics

	All Cities over 20,000	Survey of Financial Officers
Size (thousands)		
Over 250	11.6%	7.3%
100–250	12.2	13.9
50–100	28.3	30.5
under 50	47.9	48.3
Median Per Capita Debt		
Upper Quartile	$1,010–30,595	$1,083–30,595
Midspread	202–1,009	262–1,082
Lower Quartile	0–201	0–262
Total mailed	—	1,002
Response rate	—	43.9%

Table 2 discusses how the variables in this study are operationalized and measured. The first column identifies the factor or construct that is hypothesized to influence disclosure decisions as shown in Figure 1. Column two gives the name for a specific variable that was used to measure the factor; subsequent results are presented with these variable names. Column three describes the variable and its measuring units. Column four shows the source of the data. Column five shows the expected relationship between the disclosure measurement and the variable.

Disclosure is measured as an index number which is computed as the number of items disclosed from a predetermined set.[10] Survey respondents were presented with this set of information items. To maintain comparability, the items were drawn from the research by Jones and associates and Ingram and Robbins. Survey respondents were asked whether cities disclose these items in their annual reports.[11] Our financial disclosure index is computed as a percentage of disclosed items out of all items judged applicable by the respondent.

FINDINGS

The first objective of this study is to determine the level of financial disclosure. The results of our survey are shown in Table 3. The disclosure items are based on an earlier study by Jones and associates and replicated by Ingram and Robbins.[12] Jones and colleagues used twenty-three of the thirty items as shown and focused on whether stakeholders favored disclosure of these items (column 3).[13] Our survey data, by contrast, reported in column 2, show the percentage of municipalities providing the disclosures. Comparing these two columns indicates some important differences between informa-

TABLE 2
Research Model

	Construct	Variable	Description	Sources	Exp. Sign
1	Internal ability, relative cost	POPULATION	Log of 1986 population	CCDB	+
2	Oversight Monitoring	INTERGOV	Intergovernmental revenue in millions	CCDB	+
		GAAPSTATE	State requires GAAP conformance		
3	Dependence on Capital Markets	PCDEBT	Per capita city debt	CCDB	+
4	Labor market signaling	FOG	Form of government 1=mayor/council 2=council/manager	ICMA	+
5	Voter participation	VOTED	Voter turnout in last local election preceding ICMA survey. % of registered voters	ICMA	+
6	Signaling professionalism by city and CFO	COEPART	City has submitted its annual report for review by GFOA Certificate of Excellence Program	Survey	+
7	Professional participation by CFO	CFOINFORM	Finance directors' self evaluation of familiarity with GASB activities. 1=slightly informed, 2=somewhat informed, 3=very informed. Recoded as 1&2="low" and 3="high"	Survey	+
8	Attitude toward ethical questions	CODE	City has adopted a formal code of ethics	Survey	+
9	Financial disclosure	INDEX30	Percentage of financial items reported, based on a list of 30 items used in previous research	Survey	NA
9	Financial disclosure	INDEX20	Set of 20 disclosure items randomly selected from the set of items in INDEX30	Survey	NA

Sources: ICMA—International City Management Association, *Municipal Form of Government—1986*
CCDB—Bureau of the Census, *County and City Data Book Files on Diskette.*

tion requirements and information supplied: for example, whereas 91 percent of citizens favor disclosing the municipal tax burden as a percentage of income (item 28), only 34 percent of municipalities provide this information.

The second objective of this study, understanding why cities vary in the extent to which they are willing to disclose financial information, is based on the conceptual model shown in Figure 1. An index measure was constructed of financial disclosure (the dependent variable). It is computed by dividing the number of items disclosed by the number of items that respondents reported to be applicable in their cities. Thus, a high index indicates the publication of more information that is applicable to a city's operations. Two forms of the index are used to provide a test of sensitivity to the inclusion or exclusion of particular items. INDEX30 is an index score based on thirty

TABLE 3
Disclosure Items

(1) Description	(2) Percent Disclosing	(3) Percent of Users Favoring Disclosure[1]	(4) Item significance
ASSETS			
1. Statement of General Fixed Assets	87	61.8, 57.6, 52.3	Improves control of assets, computation of depreciation, planning replacement.
2. Inventory Balances are Reported if Significant	83		Significant amounts of inventory are an important resource.
LIABILITIES AND FUND BALANCE			
3. Major Contingencies Such As Pending Litigation	95		Improves credit decisions, resource planning.
4. The Nature and Amount of Obligations for Post Retirement Benefits other than Pensions[2]	57		Credit decisions, resource planning, evaluating full cost of current services.
5. Fund Balance Available for Future Appropriation	94	89.7, 98.5, 87.5	Resources that are available for future appropriation.
6. Identification of Annual Surplus and Deficit	90	96.5, 95.5, 98.5	Reports whether resources provided currently covered current needs.
OPERATING STATEMENT ITEMS			
7. Amount of Pension Expenditure Pursuant to an Acceptable Actuarial Definition	83	64.2, 58.5, 67.2	Measures funding cost of pension obligations.
8. Separate Display of Non-recurring Revenues and Expenditures[2]	42	93.0, 97.1, 87.9	Separates those items that normally recur from those that are unusual and are not expected to recur. Significant for planning purposes.
BUDGETARY ITEMS			
9. Budgetary Procedures and Policies	88	88.1, 84.8, 78.8	Informs the reader how the budget is determined.
10. Comparison of Actual Results With Original And Amended Budget[2]	83	92.6, 83.1, 72.7	Highlights whether significant budget changes were made and how the actual results compare with the original plan and the budget plan as changed over the reporting period.

TABLE 3 (Continued)

(1) Description	(2) Percent Disclosing	(3) Percent of Users Favoring Disclosure[1]	(4) Item significance
11. Comparison of Actual Results with the Original Budget[2]	70	97.1, 87.8, 86.4	Allows a comparison of actual expenditures with the original budget plan. Highlights changes and possible problems with the budgeting process.
12. Explanation of Differences Between Budget and Actual[2]	60	94.0, 83.3, 83.3	Provides a narrative explanation for discrepancies between planned expenditures and actual expenditures.
13. Explanation of Significant Budget Amendments[2]	60	95.6, 76.9, 80.0	Provides a narrative explanation for budgetary changes.
14. Explanation of Interfund Transfers[2]	76	72.5, 69.8, 76.9	Transfers can make fund statements difficult to understand. Providing a narrative explanation makes the statements more interpretable.
15. Disclosure That Legal Bond Requirements Have Been Met	81	64.7, 64.6, 81.5	Violations of bond covenants can result in a trustee declaring a bond issue due in full. Disclosure has important credit and planning ramifications.
16. Explanation of the Timing of Recognition of Revenues and Expenditures	91	79.4, 84.8, 83.1	GAAP and non-GAAP reporting permits some leeway as to the point in time when revenues and expenditures can be recorded. Users should be made aware of the policies followed.
OTHER ITEMS			
17. Insurance Accounting Practices[2]	66		Expenditures for insurance may be allocated over policy life or recorded in the period in which the expenditure is made. Insurance can be a significant cost; users need to understand how the government accounts for insurance to interpret the reported cost figure.
18. Subsidies to Enterprise Funds	74	85.7, 86.4, 73.8	Some governments that operate business type enterprises, such as utilities, subsidize the utility to keep rates low. This is an important item for a user wanting to evaluate the real cost of services.
19. Output Performance Measures tor Major Functions (SANITATION, Etc.)[2]	19		Provide an important comparison measure for intertemporal comparison and intergovernmental comparison.
20. Subsidies of the General Fund to Other Funds (or Vice-versa)	87		The general fund may subsidize other funds, in addition to enterprise funds, or others may subsidize the general fund. This information is important for the evaluation of service cost.

TABLE 3 (Continued)

(1) Description	(2) Percent Disclosing	(3) Percent of Users Favoring Disclosure[1]	(4) Item significance
21. Consolidated Financial Statements[2]	85		Provide an overview of the entire governmental entity. Present GAAP financial statements provide *combined* statements that simply add all funds, *consolidation* as practiced in commercial statements removes the effects of all internal transfers between components of the reporting unit.
TAX ITEMS			
22. Assessment Practices[2]	59	94.2, 50.8, 74.2	Significant for understanding of a government's tax base and taxing ability.
23. Assessed Value of Taxable Property	90	71.0, 47.7, 81.5	Significant for understanding of a government's tax base and taxing ability. Credit factor.
24. Legal Tax Limits	74	91.3, 92.3, 90.8	Significant for understanding of a government's tax base and taxing ability. Credit factor.
25. Tax Rates	89	89.9, 87.7, 86.2	Significant for understanding of a government's tax base and taxing ability. Credit factor.
26. Due Dates of Major Taxes and Aid Payments	59	73.5, 75.4, 75.8	Significant for cash planning purposes and credit evaluation.
27. Tax Base Trend Data	73	91.3, 75.4, 92.4	Significant for understanding of the government's tax base and taxing ability. Credit factor.
28. Tax Burden as a Percent of Income[2]	34	91.3, 72.3, 76.9	Significant for understanding of the government's tax base and taxing ability. Credit factor.
29. Legal Debt Limits and Unused Debt Margins	87	78.3, 78.1, 84.8	Significant for credit evaluation. Credit factor.
30. Amount of Overlapping Debt	81	75.4, 50.8, 83.6	Significant for understanding total tax burden in a governmental unit and for the evaluation of further taxing ability.

[1]Source: Jones et al. (1985). The figures represent the percent of all respondents who favor disclosure of the item. Order of presentation: citizens, oversight, investors. Items for which no percentage is reported are from Ingram and Robbins (1987) who surveyed local governments but not users.

[2]Disclosure was not required by GAAP as of the survey date.

[3]Disclosure percentages as reported in our survey of finance officers (n=439).

TABLE 4
Disclosure and City Characteristics

	Disclosure Index (%)	N
City Size:		
Over 250,000	80	32
100,000–250,000	76	61
50,000–100,000	75	133
under 50,000	73	211
Form of Government:		
City-manager	77	270
Mayor-council	81	154
Other	77	13
Per Capita Debt:		
Upper quartile	79	118
Middle two quartiles	74	227
Lower quartile	71	92
Certificate of Excellence:		
Applied	79	279
Not Applied	68	158
CFO Familiarity with GASB:		
High	81	193
Medium	74	184
Low	62	45
GAAP State	76	336
Non-GAAP State	72	101
Voter turn-out		
High (highest quartile of cities)	78	98
Low (lowest 3 quartiles)	74	250

Note: The number of responses for CFO Familiarity is less than 437, reflecting missing responses. Voter turnout is taken from ICMA data and the N reflects the overlap in the two data sets.

items; INDEX20 eliminates ten items chosen at random.

Table 4 classifies the cities by the disclosure factors discussed above and reports univariate disclosure differences as measured by our disclosure index (INDEX30) using all thirty disclosure items. The univariate results generally support our expectations regarding the positive association between size, debt, participation in the Certificate of Excellence Program, and familiarity with GASB activities. However, differences in disclosure with regard to voter turnout and form of government are very small. For the latter the results were actually contrary to our expectation.

The results of the analysis are shown in Tables 5 and 6.[14] Table 5 shows the Spearman rank correlation between the variables. An ordinary least squares regression model is used in Table 6 (column 1) to measure the joint effect of the independent variables on disclosure. To test the index for sensitivity to the inclusion or exclusion of

TABLE 5
Spearman Rank Correlation Coefficients

	INDEX	POPULATION.	INTERGOV	PCDEBT	FOG	COEPART	GAAP-STATE	VOTED	COE-INFORM
INDEX	1.000								
POPULATION (log)	0.107	1.000							
INTERGOV	0.005	0.635	1.000						
PCDEBT	0.146	0.083	0.067	1.000					
FOG	0.136	–0.029	–0.147	0.035	1.000				
COEPART	0.404	0.155	–0.071	0.010	0.288	1.000			
GAAP-STATE	0.089	–0.092	–0.113	–0.017	0.075	0.220	1.000		
VOTED	0.111	0.090	0.103	0.028	–0.012	0.031	0.054	1.000	
COE-INFORM	0.406	0.213	–0.029	–0.016	0.093	0.317	0.006	–0.093	1.000

Note: Correlations of approximately 0.12 are significant at the 0.05 level (n=240).

items, both INDEX30 and INDEX20 are used as dependent variables. As shown in Table 6, the strongest determinants of disclosure are participation in the Certificate of Excellence Program and the extent to which the CFO is familiar with the GASB's activities. City size is not significant when controlled for the other factors in the model (see Table 4). Form of government shows a surprising negative coefficient, but all other variables are signed as expected. A log-transformed index was also tested with similar results. In each instance, variance inflation factors were also examined for the possibility of collinearity affecting the coefficient estimates, but no such problem was found.

The next step in the analysis examines whether the adoption of a code of ethics is associated with differences in CFO familiarity and COE participation. In Figure 1, this is represented by link 1. Data about the adoption of a code were obtained from a second survey administered in the spring of 1992 to 1,176 human resource managers in cities with populations over 25,000. These individuals and municipalities were identified by the International City and County Management Association (ICMA). The items in this survey included one which asked whether the municipality had adopted a code of ethics. After a pre-test, the first and second mailing resulted in 426 usable surveys for a response rate of 36 percent. Additional data in this study were taken from ICMA's *Municipal Form of Government Survey–1986* and from the *County and City Data Book*.[15] The four data sets contained 116 cities in common, but only 96 of these were complete on all variables. While these 96 cities appear representative of the population, the small sample size suggests that the following results should be regarded as exploratory.[16]

The primary variable of interest is CODE. City size is included as a variable because larger cities can better afford costs associated with additional professional involvement of the CFO and additional costs associated with the COE Program; form of government is controlled since it may be associated with the professionalism of the

TABLE 6
Regression Models of Disclosure and the Effect of CODE on Disclosure Factors

	OLS		LOGISTIC REGRESSION	
Independent Variables:	**(1) INDEX30**	**(2) INDEX20**	**(3) COE Particip.**	**(4) CFO Informed**
INTERCEPT	0.7074	0.7816	–8.6050	–11.9600
	(4.374)**	(4.148)**	(3.224)*	(7.392)**
POPULATION (LOG)	–0.0055	–0.0060	0.6638	0.9290
	(0.362)	(0.337)	(0.104)	(6.3632)**
INTERGOV	–0.00009	–0.0840	NA	NA
	(0.239)	(0.198)		
PCDEBT	0.0267	0.0292	–0.0001	0.0001
	(2.593)**	(2.434)**	(0.1765)	(0.4205)
FOG	–0.0890	–0.0983	1.1260	0.7740
	(4.846)**	(4.594)**	(3.1585)*	(0.2076)
COE PARTICP.	0.1031	0.1077	NA	NA
	(5.380)**	(4.825)**		
CODE	NA	NA	1.0140	0.8249
			(3.9022)**	(3.3587)*
VOTED	0.0008	0.0007	NA	NA
	(2.059)**	(1.631)**		
CFO INFORM.	0.0692	0.0808	NA	NA
	(5.124)**	(5.130)**		
GAAPSTATE	0.0101	0.0096	NA	NA
	(0.495)	(0.405)		
Adjusted R-Squared (Log likelihood ratio)	0.33	0.30	(12.017, 4 d.f.)**	(12.613, 4 d.f.)**

T-statistics or Chi-square statistics in parentheses
*Significant at .10 (one tail test)
**Significant at .05 or less (one tail test)
NA Variable not appropriate in test.
Note: T-statistics for OLS regression and Chi-squared statistics for logistic regressions in parentheses. N=201 for OLS regression, 96 for logistic regressions. See text.

CFO; and the level of city debt is controlled for because the OLS regression suggest that the demand from capital markets may have significant effects on reporting and, therefore, larger debt may cause CFOs to make themselves better informed. Also, cities may be more likely to participate in the COE Program if they are strongly dependent on the capital market and see the COE as a means for signaling management quality.

Logistic regression was used to test the effect of these variables on participation in the Certificate of Excellence Program and on the level of information of the CFO. To create a dichotomous dependent variable from the CFOINFORM variable for the logistic regression, the respondents were divided into two groups, those who judged

themselves highly informed and those who did not. The results of the logistic regressions are reported in Table 6, columns 3 and 4.

The results show that the imperatives of the code are translated into behavioral differences. The existence of a code is a significant predictor of COE participation ($p < 0.05$), controlling for the effects of city size, debt, and form of government. The model is significant with a p-value of less than 0.001. The results for the level of information possessed by the CFO reported in column 4 of Table 6 are similar, but not as strong. This model is significant with a p-value of 0.05 and CODE is significant with a p-value less than 0.07. In both cases the coefficient of CODE has the expected sign.

To our knowledge, this is the first empirical evidence that overt ethical statements are associated with behavioral differences across governments in financial disclosure. The results suggest that COE participation is seen as a vehicle for signaling an administrative approach to public sector management and, taken with the results of the OLS regression, leads to greater financial disclosure.

CONCLUSION

As citizens and other stakeholders become more involved in city management, the need increases for more accurate and complete financial disclosure. This study finds that municipal efforts to promote a climate of openness and responsiveness are associated with the amount of financial disclosure *indirectly* through the professional activities of the CFO and through participation in the GFOA's Certificate of Excellence Program. Specifically, cities that have adopted a code of ethics have a more professionally-knowledgeable CFO and are more likely to participate in GFOA's Certificate of Excellence in Financial Reporting. Both of these factors are strongly associated with increased financial disclosure. While it is not surprising that cities which have a climate based on openness and trust provide more disclosure, previous studies have not examined this proposition.

This study suggests a number of future research issues. On a very basic level, we do not know why some organizations adopt particular modes for dealing with their environment, in this case, why some cities choose to promote a climate of openness and responsiveness. We also conjecture that more information will improve decision making, but exactly how additional information or better information changes decisions is not clear. As many cities face a period of fiscal stress, the demand for financial disclosure will increase. The ability of cities to provide adequate financial disclosure is a measure of the ability and willingness of city administrators to play a meaningful role in the processes of democratic governance.

NOTES

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3. Securities and Exchange Commission. *Staff Report on Transactions in Securities of the City of New York.* Washington, D.C.: Subcommittee on Economic Stabilization of the Committee on Banking, Finance and Urban Affairs, 1977.
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8. Bureau of the Census, Data User Services Division. *County and City Data Book: Files on Diskette.* (Washington, D.C.: Bureau of the Census, 1988).
9. Jones et al., *The Needs of Users,* pp. 51–70; Ingram and Robbins, *Financial Reporting Practices,* pp. 83–92.
10. For comparison, see Robert W. Ingram, "Economic Incentives and the Choice of State Government Accounting Practices," *Journal of Accounting Research* 22 (Spring 1984): 126–144; and Rita Hartung Cheng, "An Empirical Analysis of Theories on Factors Influencing State Government Accounting Disclosure." *Journal of Accounting and Public Policy* 11 (Spring 1992): 1–42.
11. Jones et al., loc. cit.; Ingram and Robbins, loc. cit.
12. Jones et al., loc. cit.; Ingram and Robbins, loc. cit.
13. Jones et al., loc. cit.
14. For this step in the analysis, the financial officers survey was combined with data from the International City Management Association's *Form of Government Survey–1986* and the Census *County and City Data Book Files on Diskette.* The three surveys have 201 observations in common.
15. Bureau of the Census, *County and City Data Book, loc. cit.*
16. Comparing the joint sample to the larger samples and the population, we find that it resembles the larger samples and does not differ greatly from the population:

	All Cities over 20,000	**Joint Sample**
Size (thousands)		
Over 250	11.6%	8.6%
100–250	12.2	11.4
50–100	28.3	33.3
under 50	47.9	46.7
Median Per Capita Debt		
Upper Quartile	$1,010–30,595	$1,360–30,595
Mid-spread	202–1,009	324–1,359
Lower Quartile	0–201	8–323