FASB vs. GASB

Certain Significant Accounting & Reporting Differences between the two standard setting bodies
Format of the Financial Report

- MD&A is RSI for GASB reporting entities
- Statement of net position and balance sheet for fund statements under GASB vs. Statement of financial position for FASB
- Governmental funds on modified accrual
- Under GASB; Assets do not include deferred outflows of resources & liabilities do not include deferred inflows of resources
- Under GASB; Net position split between a) net investment in capital assets, b) restricted and c) unrestricted
- CSU requires supplemental information on GASB basis
  - Total equity can be different for FASB entity with GASB supplementary information due to differences in accounting
Net position/Fund balance/Net assets

• Net position & fund balance (GASB) vs. Net assets (NFP)
  • Net position
    • Net investment in capital assets
    • Restricted for stated activities
    • Unrestricted
  • Fund Balance (GASB 54)
    • Defines the types of governmental funds (general fund, special revenue funds, capital projects funds, debt service funds)
    • Fund balance is either nonspendable, restricted, committed, assigned and unassigned
  • NFP … Unrestricted, temporarily restricted (TR) and permanently restricted (PR)
    • TR and PR only from donor restriction, not internal
    • Unrestricted can be board designated or undesignated
Cash & Investments

- FASB
  - Disclose levels (I, II and III)
- GASB (GASB Statements 31 & 40)
  - Disclose deposit and investment policies
  - Investment disclosures by investment type
  - Credit risk (credit quality)
  - Custodial credit risk (collateral and insurance)
  - Concentration of credit risk (maturity)
  - Interest rate risk (using one of 5 methods)
Fixed Assets / Capital Assets

- Accounting
  - Modified approach is an option in GASB
  - Capital asset purchases expensed in governmental funds
- Disclosure detail
  - Roll-forward by asset classification for cost and depreciation under GASB
- Capitalized interest
  - Only for proprietary funds and business-type activities under GASB
- Impairment
  - Threshold based on GASB 42 (i.e.; when service utility has declined significantly and unexpectantly)
Long-term Debt

- Roll-forward of debt in note disclosure
- Maturities include expected interest expense based on stated/current interest rates, in a separate column
- Defeasance of debt through advance refundings.
- Cost of issuance is written-off
- Disclose existence of economic gain or loss in year of funding
- Deferred gain or loss reported in deferred outflows or inflows of resources
- Premium or discount reported as part of Long-term Debt
Revenue Recognition for non-exchange transactions

- GASB Statement No. 33
  - Derived tax revenues (income taxes, sales tax)
    - Revenue when the underlying exchange transaction occurs (and resources are available under modified accrual)
  - Imposed nonexchange (property taxes and fines)
    - Revenue in the period when the use of resources is required or first permitted to be used
  - Government-mandated nonexchange (federal programs that the state or local governments have to do)
    - Revenue when all eligibility requirements are met (and resources are available under modified accrual)
  - Voluntary nonexchange (grants and private donations)
    - Revenue when all eligibility requirements are met (and resources are available under modified accrual)
- FASB Statements 116 and 117
Pension & OPEB

- **FASB**
  - Record as a liability the actuarial present value (PV) of future payments under FASB Statements 87, 106, 132, 158

- **GASB**
  - (GASB 27 and 45) - Record asset or liability depending on if the contributions to the plans are in excess or deficient as compared to the calculated cumulative Annual Required Contribution (ARC).
  - About to change for pensions due to GASBs 68 and 71
Derivative Instruments

- **FASB**
  - FASB statements 119, 133, 137, 138, 149, 155 & 161
    - Fair Value or cash flow hedge
    - Cash flow hedge through Other Comprehensive Income

- **GASB**
  - In accordance with GASB Statement No.s 53 and 64
    - Effective hedge not recognized through operating statements until settled (deferred outflows if the hedge is a liability, and deferred inflows if the hedge is an asset)
  - Statement 64 clarifies whether a hedging relationship continues after the replacement of a SWAP counterparty.
GASB 62; codification of FASBs before 11/30/89

- Which capital assets qualify for capital interest and how capitalized interest is calculated
- Revenue recognition for exchange transactions
- Determining what are special and extraordinary items
- Determining related parties and required disclosures
- Prior period adjustments and changes in accounting principles and estimates
- Accounting and reporting for contingencies (old FASB 5 reference), including contingent gains
- Extinguishment of debt, except through current or advance refundings
- Foreign currency transactions
- Accounting for inventories
- Investment in common stock not held in an investment pool, DB Plan or 457 deferred comp plan
- Lease classification (S/L calculation could be different if stated increases reflect CPI increases) including sales lease-backs
- Costs associated with real estate projects
  - Indirect costs that do not clearly relate to projects under development or construction. Including G&A, should be expensed as incurred
- Purchases of a loan or group of loans