

**GASB #34 and the Financial Data Schedule (FDS)**  
(Accounting Brief #13)

**Background:**

In June 1999, the Government Accounting Standards Board (GASB) issued GASB Statement #34 *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. This Statement resulted in sweeping changes in financial reporting for governmental entities. For the first time in history, state and local governments are required to report their entity-wide activities on a full accrual basis. The following document has been prepared to address some of the common issues that public housing authorities (PHAs) may encounter when reporting the Financial Data Schedule (FDS) to REAC on a GASB #34 basis.

**Issues:**

What specific changes has FASS-PH implemented to facilitate the preparation of a GASB #34 FDS and a GASB #34 financial statement?

What changes have these modifications had on a PHA's FASS score?

**Analysis:**

**Changes in FASS Financial Data Schedule (FDS) Line Items and Audit Submission Requirements:**

The most pronounced changes on the FDS are in the Equity Section of the Balance Sheet. In a GASB #34 implementation, the FDS lines making up Contributed Capital (specifically lines 502 through 505, 507 and 508) disappear and have been replaced by FDS line 508.1. FDS line 508.1 is called *Invested in Capital Assets, net of Related Debt*. Additionally, 511.1, *Restricted Net Assets* and 512.1 *Unrestricted Net Assets*, have replaced FDS lines 509, 510, 511 and 512. The new equity accounts have been created to comply with the Net Assets section of the GASB #34 Balance Sheet for full accrual funds.

Other major changes under GASB #34 include the elimination of: (1) the General Fixed Assets Account Group (GFAAG) and (2) the General Long-Term Debt Account Group (GLTDAG). As a result, the following FDS line items are no longer available when a PHA does a GASB #34 submission:

|     |   |
|-----|---|
| 146 | <i>Amounts to be provided</i> (part of the GLTDAG)            |
| 501 | <i>Investment in General Fixed Assets</i> (part of the GFAAG) |
| 976 | <i>Capital outlays-governmental funds</i>                     |

When doing a GASB #34 audit, a Management Discussion and Analysis (MD&A) section must be included in the audit package. To meet this requirement, a new audit tab called “MD&A” has been added to the FASS software. The MD&A is intended to provide users of the financial statements with an objective, easily readable summary of the PHA’s financial activities based on both short term and long-term analysis.

### **Converting to GASB #34**

Back in 1999, FASS PH issued its first GAAP Flyer called *Governmental vs. Enterprise Fund Accounting* which is located at:

<http://www.hud.gov/offices/reac/pdf/gaapflyer1.pdf>. The basic message of this Flyer was that the full accrual method of accounting was much more in line with a PHA’s basic operation (charging fees for services) than the modified accrual basis of accounting. Throughout the GAAP conversion period during cycle #1 (encompassing Fiscal Years Ending 9/30/1999 through 6/30/2000), PHAs were encouraged to utilize the full accrual method. The issuance of GASB #34 gives greater credence to the full accrual method of accounting because the Statement requires entity-wide financial statements under the full accrual model.

Many PHAs are delaying the implementation of GASB #34 as long as they possibly can. However, the basic FDS and financial statement conversion for full accrual PHAs is usually not complex. Most PHAs do not have infrastructure assets (i.e. roads, bridges etc.) that have to be included in Property, Plant and Equipment. The main adjustment full accrual PHAs have to make is to properly allocate Equity (now called Net Assets) between 508.1 (*Invested in Capital Assets, net of Related Debt*), 511.1 (*Restricted Net Assets*) and 512.1 (*Unrestricted Net Assets*).

As stated above, the key step of properly converting to GASB #34 is correct reporting of the Net Assets section. The PHA needs to compute what goes into FDS lines 508.1, 511.1 and 512.1. The computation of line 508.1 is FDS line 160 (Total Fixed Assets, Net of Accumulated Depreciation) minus FDS lines 343 (*Current portion of Long-term Debt-Capital Projects/Mortgage Revenue Bonds*) and 351 (*Long-term Debt, Net of Current – Capital Projects/Mortgage Revenue Bonds*). The remaining balance in Net Assets should then be properly allocated between 511.1 and 512.1. However, in doing the computation of 511.1, the following should be taken into consideration:

*If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds should not be included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt should be included in the same net assets component as the unspent proceeds—for example, restricted for capital projects –GASB Statement #34 paragraph 33 page 15.*

## **Impact on Scoring**

With the implementation of GASB #34, there should be no impact on a PHA's FASS score. This is due to the fact that the main change on the FDS is a basic reshuffling of Equity (or Net Assets).

## **Conclusion:**

By the FYE 3/31/2005, all PHAs in the FASS-PH inventory must implement GASB #34. Early implementation, though not required is nonetheless encouraged. FASS-PH has tried to make the conversion to GASB #34 as seamless as possible by implementing the software changes discussed above.

For a further discussion on GASB #34, please refer to PHA GAAP Flyer #5 called *GASB's New Financial Reporting Model* at

<http://www.hud.gov/offices/reac/pdf/gaapflyer5.pdf>.