



38th Annual Conference &
Membership Meeting

September 17-19, 2025 – Columbus, OH



CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

GAAP Reporting vs. Cash Reporting

By: Chris Flraig, CPA and Kimberly Price, MBA

What are the reporting options?

Reporting Options:

- GAAP
 - General Purpose Financials
 - Annual Comprehensive Financial Statements (ACFR)
- Other Comprehensive Basis of Accounting (OCBOA)
 - OCBOA Cash Basis
 - OCBOA Modified Cash Basis
- Regulatory Cash Basis Financial Statements

What is the difference?

- GAAP ACFR
 - Starts with cash basis
 - Add in Accounts Receivable, Fixed Assets, Accounts Payable, Debt, Pension, etc.
- Other Comprehensive Basis of Accounting (OCBOA)
 - OCBOA Cash Basis
 - Recognizes revenue when cash is received
 - Expenditure is recorded when cash is paid
 - Must disclose differences from GAAP presentation
 - Disclosures parallel GAAP presentation
 - OCBOA Modified Cash Basis
 - Hybrid of OCBOA Cash Basis and GAAP
 - Must disclose differences from GAAP presentation
 - Disclosures parallel GAAP presentation
- Regulatory Cash Basis Financial Statements
 - Must meet Ohio AOS requirements
 - Ohio Revised Code Section 117.38
 - Ohio Administrative Code Section 117-2-03(C)

OCBOA Cash Basis Presentation

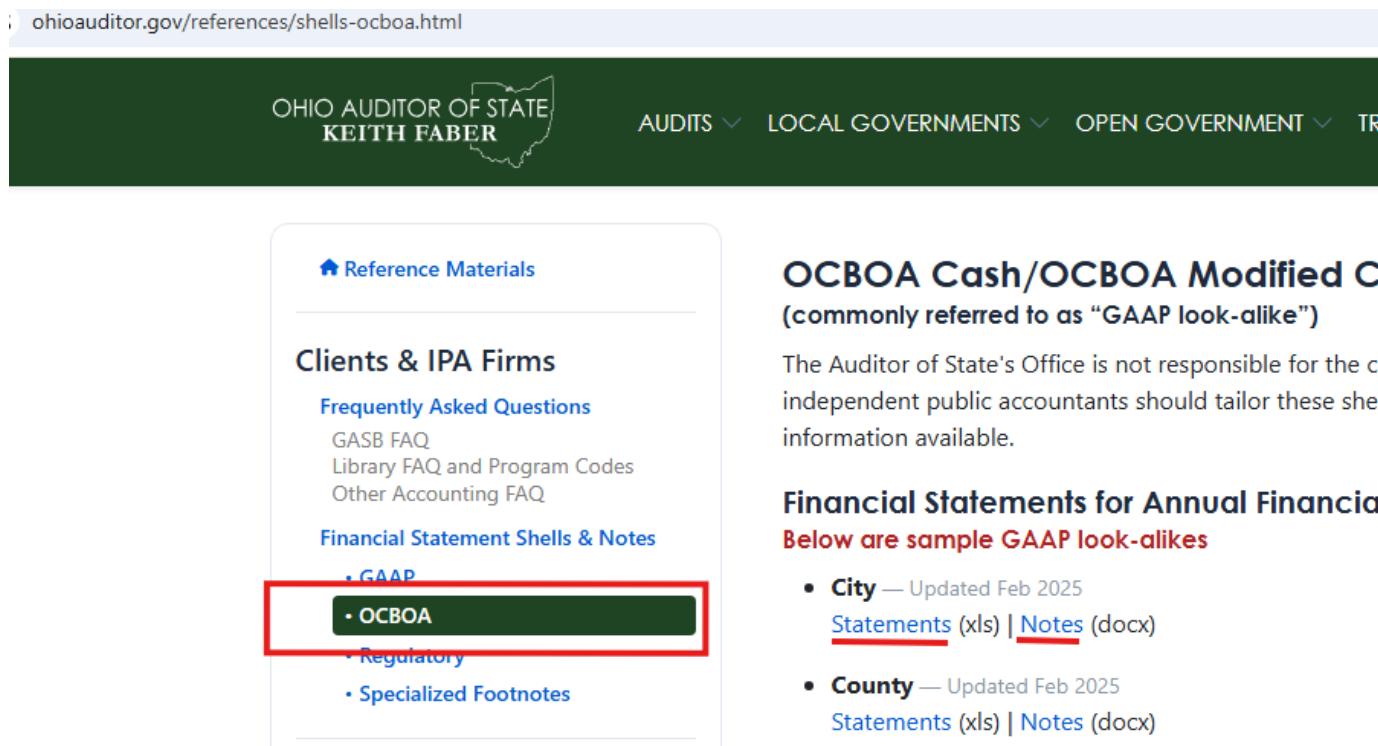
- OCBOA Cash Basis (“GAAP Look-alike”)
 - No receivables or payables
 - No long-term assets recorded (therefore no depreciation)
 - No accruals recorded
 - Recognizes revenue when cash is received
 - Expenditure is recorded when cash is paid
 - MD&A Required
 - Must disclose differences from GAAP presentation in Basis of Accounting Footnote
 - Footnote disclosures need to parallel GAAP presentation
 - GASB Statements still apply, if they are applicable to the OCBOA Cash Basis of Accounting

OCBOA Modified Cash Basis Presentation

- OCBOA Modified Cash Basis (“GAAP Look-alike”)
 - Hybrid of OCBOA Cash Basis and GAAP
 - Will take elements of Cash Basis and GAAP presentation
 - Provide user with additional information
 - Avoid the complexities that come with GAAP presentation
 - No receivables or payables required
 - No long-term assets required to be recorded (therefore no depreciation)
 - No accruals required to be recorded
 - Recognizes revenue when cash is received
 - Expenditure is recorded when cash is paid
 - Common Modifications
 - Long-term investments
 - Capital assets and accumulated depreciation
 - Long-term debt
 - MD&A Required
 - Must disclose differences from GAAP presentation in Basis of Accounting Footnote
 - Footnote disclosures need to parallel GAAP presentation
 - GASB Statements still apply, if they are applicable to the OCBOA Cash Basis of Accounting

OCBOA Modified Cash Basis Presentation (Continued)

- Where can you find the shells?
 - <https://ohioauditor.gov/references/shells-ocboa.html>



The screenshot shows the Ohio Auditor of State website with a dark green header. The header includes the text 'OHIO AUDITOR OF STATE' and 'KEITH FABER' with a small map of Ohio. Below the header, there are navigation links for 'AUDITS', 'LOCAL GOVERNMENTS', 'OPEN GOVERNMENT', and 'TRANSPARENCY'. The main content area has a light gray background. On the left, there is a sidebar with 'Reference Materials' and 'Clients & IPA Firms' sections. Under 'Financial Statement Shells & Notes', there is a list of items: 'GAAP', 'OCBOA' (which is highlighted with a red box), 'Regulatory', and 'Specialized Footnotes'. To the right, the main content area is titled 'OCBOA Cash/OCBOA Modified Cash Basis (commonly referred to as "GAAP look-alike")'. It contains text about the Auditor of State's responsibility and links to 'Statements (xls)' and 'Notes (docx)' for 'City' and 'County'.

ohioauditor.gov/references/shells-ocboa.html

OHIO AUDITOR OF STATE
KEITH FABER

AUDITS ▾ LOCAL GOVERNMENTS ▾ OPEN GOVERNMENT ▾ TRANSPARENCY

Reference Materials

Clients & IPA Firms

Frequently Asked Questions

GASB FAQ
Library FAQ and Program Codes
Other Accounting FAQ

Financial Statement Shells & Notes

- GAAP
- OCBOA**
- Regulatory
- Specialized Footnotes

OCBOA Cash/OCBOA Modified Cash Basis
(commonly referred to as "GAAP look-alike")

The Auditor of State's Office is not responsible for the content of these shells. Independent public accountants should tailor these shells to the specific needs of their clients.

Financial Statements for Annual Financial Reports

Below are sample GAAP look-alikes

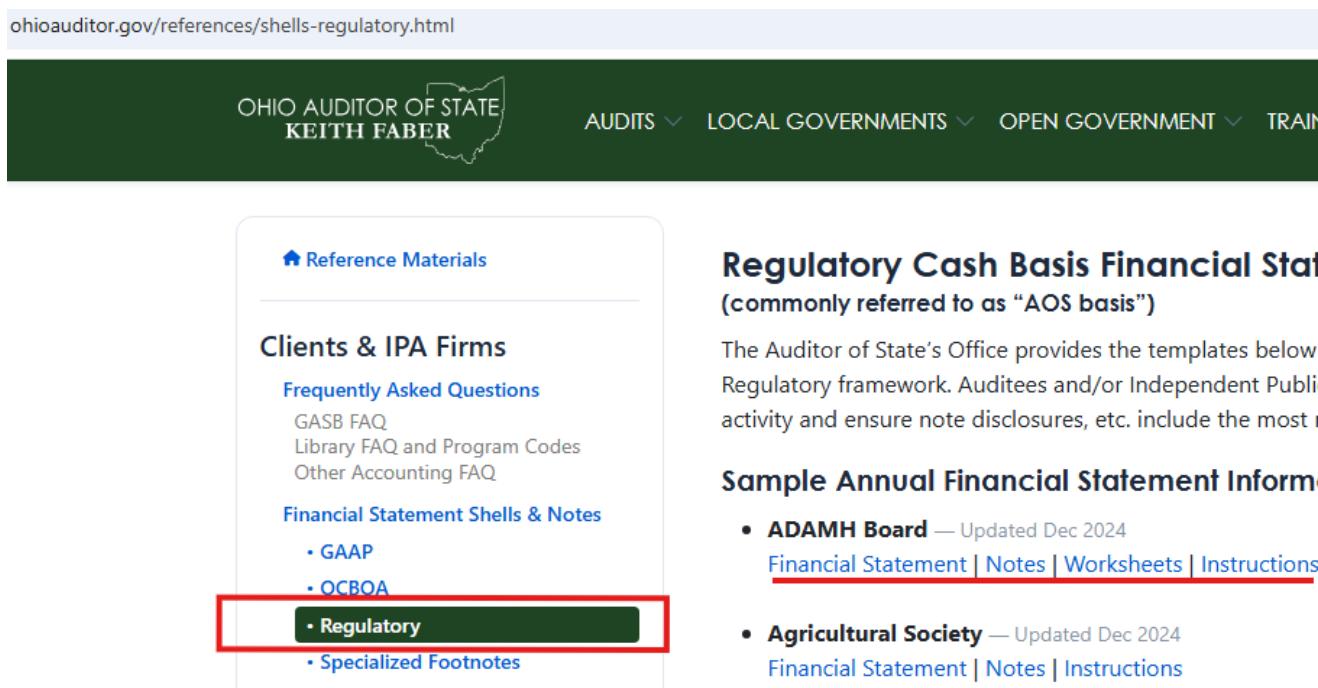
- City** — Updated Feb 2025
[Statements \(xls\)](#) | [Notes \(docx\)](#)
- County** — Updated Feb 2025
[Statements \(xls\)](#) | [Notes \(docx\)](#)

Regulatory Cash Basis Presentation

- Regulatory Cash Basis (“AOS Basis”)
 - MUST meet Ohio AOS requirements
 - Ohio Revised Code Section 117.38
 - Ohio Administrative Code Section 117-2-03(C)
 - Recognizes revenue when cash is received
 - Must report by source
 - Expenditure is recorded when cash is paid
 - Must record purpose
 - Report public debt, purpose of debt, and payment provisions
 - MD&A – Not required
 - Must disclose differences from GAAP presentation in Basis of Accounting Footnote
 - Footnote disclosures need to parallel GAAP presentation
 - GASB Statements still apply, if they are applicable to the OCBOA Cash Basis of Accounting

Regulatory Cash Basis Presentation (Continued)

- Where can you find the shells?
 - <https://ohioauditor.gov/references/shells-regulatory.html>



ohioauditor.gov/references/shells-regulatory.html

OHIO AUDITOR OF STATE
KEITH FABER

AUDITS ▾ LOCAL GOVERNMENTS ▾ OPEN GOVERNMENT ▾ TRAINING ▾

Reference Materials

Clients & IPA Firms

Frequently Asked Questions

- GASB FAQ
- Library FAQ and Program Codes
- Other Accounting FAQ

Financial Statement Shells & Notes

- GAAP
- OCBOA
- Regulatory** (highlighted)
- Specialized Footnotes

Regulatory Cash Basis Financial Statement
(commonly referred to as "AOS basis")

The Auditor of State's Office provides the templates below a Regulatory framework. Auditees and/or Independent Public Accountants can use the templates to prepare financial statements that reflect the most recent activity and ensure note disclosures, etc. include the most recent information.

Sample Annual Financial Statement Information

- ADAMH Board** — Updated Dec 2024
- [Financial Statement](#) | [Notes](#) | [Worksheets](#) | [Instructions](#)
- Agricultural Society** — Updated Dec 2024
- [Financial Statement](#) | [Notes](#) | [Instructions](#)

- Ohio Revised Code and Ohio Administrative Code
 - <https://codes.ohio.gov/ohio-revised-code/section-117.38>
 - <https://codes.ohio.gov/ohio-administrative-code/rule-117-2-03>

GAAP Presentation

- Authoritative Standards:
 - Minimum standard governing the formatting and contents of general purpose external financial reports
 - Standards = GAAP
 - Designed to provide primary users of the general purpose external financial reports with the basic information needed to assess an entity's finances
 - FASB
 - Private sector and not-for-profits
 - GASB
 - Ultimate authority for state and local governments
 - Includes other types of entities, including some not-for-profits

History of GAAP

- Private sector
 - Account Principles Board (APB)
- Public sector
 - Preparers led the first effort to define GAAP for state and local governments
 - National Committee on Municipal Accounting (NCMA) of the Municipal Finance Officers' Association (later the Government Finance Officers' Association)
 - After WWII, National Committee on Governmental Accounting replaced NCMA
 - In the mid 1970's it became the National Council on Governmental Accounting (NCGA)
 - Both the private and public sector called for an independent standard-setting process
 - APB replaced by Financial Accounting Standards Board (FASB) in the early 1970's
 - The Governmental Accounting Standards Board (GASB) replaced the NCGA in June 1984

GAAP – Government Reporting Model



- The Governmental Financial Reporting Model
 - Fund accounting & the reporting model
 - Funds and fund type
 - Measurement Focus and Basis of Accounting
 - Funds and government-wide reporting
- History of Fund Accounting
 - At the turn of the 20th century, use of separate cash accounts to manage dedicated resources
 - These evolved into funds that are still used by state and local governments to demonstrate legal compliance

GAAP – Government Reporting Model (Continued)

- Funds
 - Definition
 - Nature
 - Purpose
 - Number
 - Fund Types
 - 3 Broad Categories
 - Governmental
 - Proprietary
 - Fiduciary

Government-Wide Reporting

- GASB identified *accountability* as the paramount objective of reporting
 - Fiscal accountability
 - Operational accountability
 - Fund accounting is well suited to accountability
 - GASB concluded that fund accounting and government-wide reporting are both essential
 - New model officially promulgated in 1999 with GASB Statement No. 34

Governmental Funds

- Measurement focus
 - Types of transactions and events that are reported in a fund's operating statement
 - Flow of Current Resources
 - Flow of Economic Resources
 - Basis of accounting is the technical term used to describe the criteria governing the timing of the recognition of transactions and events
 - Flow of Current Resources
 - Modified accrual basis of accounting
 - Flow of Economic Resources
 - Accrual Basis of Accounting
- Governmental Funds
 - General Fund
 - Special Revenue Funds
 - Debt Service Funds
 - Capital Projects Funds
 - Permanent Funds

Government and Funds Reporting

- Basic financial statements (minimum needed for a fair presentation in accordance with GAAP)
 - Government-Wide financial statements
 - Fund-Based financial statements
 - Accompanying note disclosures

Government-Wide Reporting

- Two basic financials: Statement of Net Assets and the Statement of Activities
 - Governmental activities are reported separately from Business-Type activities
 - Fiduciary funds are excluded
 - Measured and reported using the economic resources measurement and the accrual basis of accounting

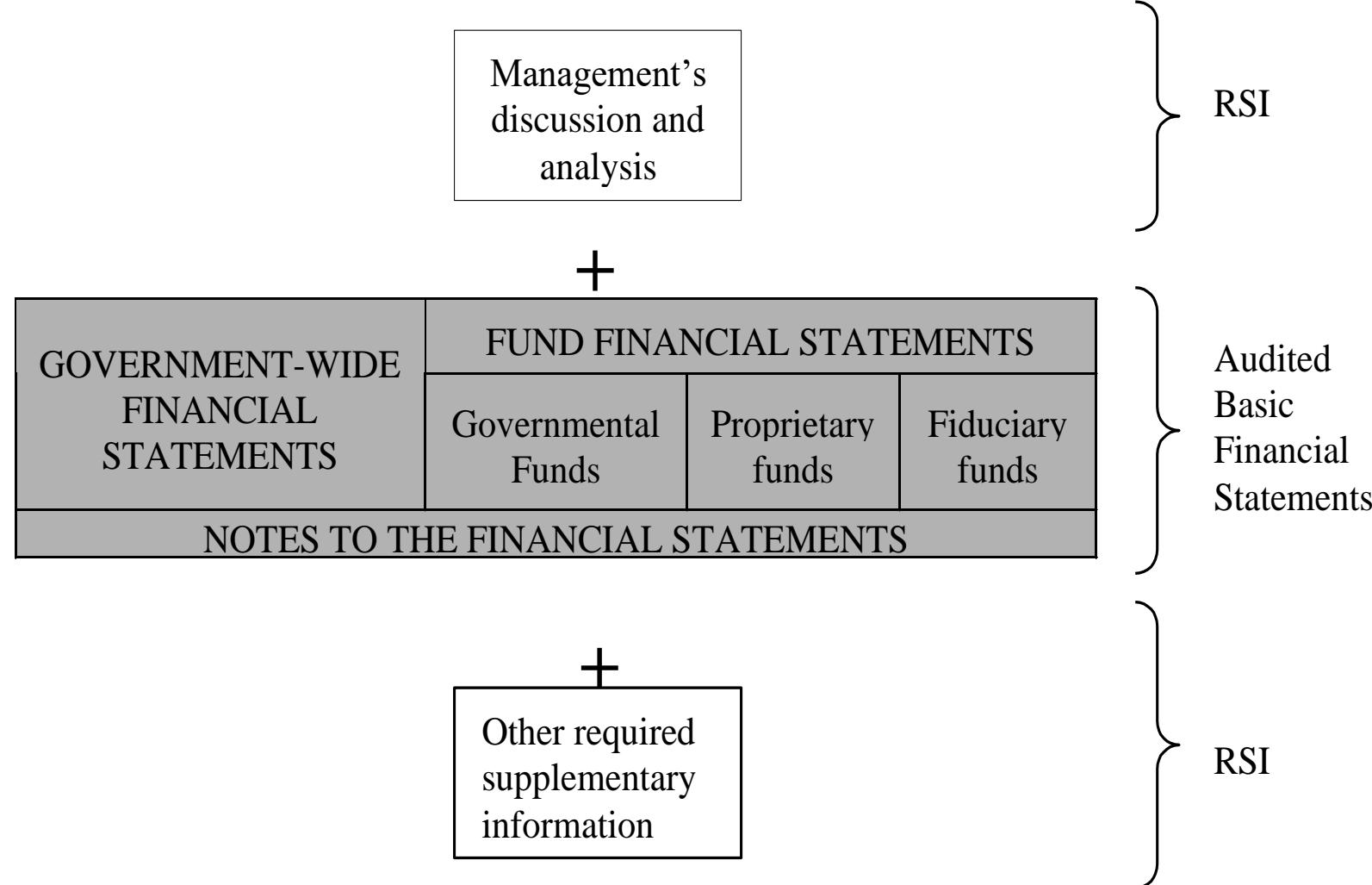
Fund-Based Reporting

- Separate set of financials for each of the three classes of funds (governmental, proprietary, and fiduciary)
 - Individual major governmental and enterprise funds are reported separately
 - Internal service and fiduciary funds are reported by fund type
- Governmental Funds
 - Report two/three basic financial statements
 - Balance Sheet
 - Statement of Revenues, Expenditures, and Changes in Fund Balances
 - Budgetary Comparison
 - GASB 103 effective for Fiscal Years beginning June 15th, 2025

Fund-Based Reporting (Continued)

- Proprietary Funds
 - Report three basic financial statements
 - Statement of Net Assets
 - Statement of Revenues, Expenses, and Changes in Net Assets
 - Statement of Cash Flows
- Fiduciary Funds
 - Report two basic financial statements
 - Statement of Fiduciary Net Assets
 - Statement of Changes in Fiduciary Net Assets

Governmental Reporting Model



From Cash to GAAP

- Fund Level
 - Receivables
 - Payables
 - Deferred
 - Short-term notes
 - 30 or 60 period
- Entity Wide
 - Capital Assets
 - Long-term obligations (debt & comp. abs.)
 - Pension
 - OPEB
 - Leases
 - SBITAs

Some Thoughts (Allowed vs. Required)

- Basis
 - Regulatory (AOS permitted)
 - Essentially cash basis
 - Think Villages
 - OCBOA (Cash / Modified Cash Basis)
 - Think Townships
 - GAAP Basis (Accrual)
 - Think City / County / School District
- Presentation
 - Regulatory
 - Old school fund model
 - OCBOA (GAAP Look-A-Like)
 - Think Townships
 - MD&A / SI
 - GAAP Presentation
 - MD&A / RSI and SI

Cash Basis vs. GAAP

- Cash
 - Ease of record-keeping
 - No estimates
 - Matches with most Ohio budgets
 - Gives quick snapshot
 - Lacks matching
 - No debt or restrictive covenant
 - Predictor for financial emergency
- GAAP
 - Financial intelligence
 - Can be complex
 - Estimates
 - Needs to be reconciled with budget results
 - Provides other key investment metrics
 - Matching!
 - Information for bond & debt holders
 - Equity position- but risk of going concern?

Cash vs. GAAP Key Considerations

- Cost benefit
 - Preparation time and effort
 - ACFR
- Pension impact
- Discuss with 3rd Party Users
 - Needs and requirements
- Debt / Elected Officials / Citizens
 - Presentation & Disclosure
 - Unmodified
 - Equity as a value to citizens
- Bond Rating impact

| QUESTIONS?

| Thank you!

Chris Flaig, Director

Email:
CDFlaig@cshco.com

Kimberly Price, Senior

Email:
kvprice@cshco.com