

GASB Update...Are We Having Fun Yet?



X #iasboAC25

 **2025**
ANNUAL
CONFERENCE

CELEBRATING
75
YEARS

PURSuing YOUR PURPOSE *with passion*

Introductions

Moderator: Betsy Allen, CPA
- Principal, Miller, Cooper & Co., Ltd

Speaker: Matthew A. Geerdes, CPA, MBA
- Principal, Sikich CPA LLC

Speaker: Lindsey Fish, CPA
- Principal, Sikich CPA LLC

MILLER
COOPER
& Co., Ltd

ACCOUNTANTS AND CONSULTANTS



 #iasboAC25



PURSUING YOUR PURPOSE *with passion*

Presentation Agenda

- New Standards Released – 2025 Impacts and Beyond
- GASB Projects and Exposure Drafts – What's in the Pipeline?
- GASB 101 – Compensated Absences – Are you prepared for adoption?

X #iasboAC25



PURSUING YOUR PURPOSE *with passion*

New Standards Released - 2025

2025 Implementations

- GASB 101 – Compensated Absences
- GASB 102 – Certain Risk Disclosures

Long Term Implementations

- GASB 103 – Financial Reporting Model Improvements – FY26
- GASB 104 – Disclosure of Certain Capital Assets – FY26
- GASB Implementation Guide No. 2025-1 – Implementation Guide Update 2025 – FY26 – *Release Pending April 2025*

 #iasboAC25



PURSUING YOUR PURPOSE *with passion*

GASB Statement No. 102 – Certain Risk Disclosures

- Issued January 2024 and required for FY25
- Required disclosures of risks for state and local governments – **INCLUDING DISTRICTS**
- Designed to provide users of the financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints
 - Better information with which to understand and anticipate certain risks to a government's financial condition
- Assessment of the disclosure criteria – District-wide level (no need to get granular into the individual funds)



 #iasboAC25



PURSuing YOUR PURPOSE *with passion*

GASB Statement No. 102 – Certain Risk Disclosures

- Concentration - lack of diversity related to an aspect of a significant inflow or outflow of resources
- Constraint - limitation that is imposed by an external party or by formal action of a government's highest level of decision-making authority

Examples of Concentrations	Examples of Constraints
Employers	Limitations on raising revenue
Industries	Limitations on spending
Composition of principal Inflows of resources	Limitations on the incurrence of debt
Workforce covered by collective bargaining agreements	Mandated spending
Providers of financial resources	
X# Suppliers of material, labor, or services	



CONFERENCE |

PURSuing YOUR PURPOSE *with passion*

GASB Statement No. 102 – Certain Risk Disclosures

Disclosure Triggers

- A concentration or a constraint is known to the government prior to the issuance of the financial statements
- Concentration or constraint makes the reporting unit vulnerable to the risk of a substantial impact
- Event or events associated with the concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.



GASB Statement No. 102 – Certain Risk Disclosures

Disclosure Requirements

- Description of concentration or constraint
- Description of each event associated with the concentration or constraint that could cause a substantial impact if the event has occurred or has begun to occur prior to the issuance of the financial statements
- Description of actions taken by the government prior to the issuance of the financial statements to mitigate the risk

GASB Statement No. 103 – Financial Reporting Model Improvements

- Issued April 2024 and required for FY26

Improvement Impacts

- Management's Discussion and Analysis
- Unusual or Infrequent Items
- Presentation of Proprietary Funds Statements of Revenues, Expenses and Changes in Fund Net Position
- Definition of Operating Revenues and Expenses and Description of Nonoperating Revenues and Expenses
- Major Component Unit Presentation
- Budgetary Comparisons – Required Supplementary Information
- Statistical Section – Financial Trends Information

Dropped from the final standard

- Measurement focus and basis of accounting for governmental funds
- Format of governmental funds financial statements

 #iasboAC25



PURSuing YOUR PURPOSE *with passion*

GASB Statement No. 103 – Financial Reporting Model Improvements

Management's Discussion and Analysis

- Focus on current year balances and results of operations in comparison to prior year – fact-based analysis with emphasis on the “why”
 - Seek to avoid unnecessary duplication and “boilerplate” discussion
- Focus should be on the primary government
- Fewer required elements

WHY

 #iasboAC25

 **2025**
ANNUAL
CONFERENCE

CELEBRATING
75
YEARS

PURSuing YOUR PURPOSE *with passion*

GASB Statement No. 103 – Financial Reporting Model Improvements

Management's Discussion and Analysis

Current Model	GASB 103 Revisions
Discussion of the basic financial statements	Overview of the financial statements
Condensed financial information	Financial summary
Analysis of the government's overall financial position and results of operations	Detailed analyses
Analysis of the balances and transactions of individual funds	Significant capital asset and long-term financing activity
Description of capital asset and long-term debt activity	Currently known facts, decisions, or conditions
Currently known facts, decisions or conditions of future significance	
Analysis of budgetary variations	
Discussion of infrastructure accounted for using the modified approach	

GASB Statement No. 103 – Financial Reporting Model Improvements

Unusual or Infrequent Items

- Replaces previous categories of extraordinary items and special items
- Definition does not change – Transaction or event must be unusual in nature and infrequent in occurrence
- Presentation requirements
 - Last items before net change in net position or in fund balance
 - Multiple items should be presented gross, not netted

Example: Disaster recovery grant intended to help a District recover from an unusual or infrequent natural disaster (inflow) and impairment loss from damage caused by the same natural disaster (outflow)

GASB Statement No. 103 – Financial Reporting Model Improvements

Budgetary Comparison Information

- Presentation in basic financial statements no longer allowed (i.e. all RSI for GAAP basis)
- Two variance columns required
 - Variance between original and final budgets
 - Variance between final budget and actual results
- Notes to Required Supplementary Information required to explain significant variances

 #iasboAC25



PURSUING YOUR PURPOSE *with passion*

GASB Statement No. 104 – Disclosure of Certain Capital Assets

Issued September 2024 and required for FY26

- Objective - Update disclosure requirements for certain types of capital assets, including right-of-use assets (GASB 87/94/96) & capital assets held for sale

Changes to Capital Asset Footnotes

- Separate disclosures required for:
 - GASB 87 lease assets – by major class of asset
 - GASB 94 right to use assets recognized by operator – by major class of asset
 - GASB 96 subscription assets
 - Any intangible assets not otherwise considered under GASB 87/94/96
- Disclosure is for both cost and related amortization

Adoption = additional line items in the capital asset rollforward

X#

CONFERENCE | YEARS

PURSUING YOUR PURPOSE *with passion*

GASB Statement No. 104 – Disclosure of Certain Capital Assets

Capital Assets Held for Resale

Two criteria to be met (BOTH MUST BE PRESENT)

Entity has decided to pursue sale of the asset

Probable (likely to occur) that the sale will be finalized within one year of the financial statement date

Factors for determining whether sale is probable (not limited to)

Asset is available for immediate sale in present condition

The entity is actively looking to find a buyer (program to identify has been initiated)

Market conditions for selling that type of asset

Regulatory approvals required for asset sale

GASB Statement No. 104 – Disclosure of Certain Capital Assets

Capital Assets Held for Resale

- Reassessment of held for sale criteria required for each reporting period
- Disclosure = **CONTINUE** to report the asset held for sale in the appropriate major class of capital asset on the rollforward, but a separate disclosure regarding historical cost and accumulated depreciation/amortization should be added to the notes
 - Separate disclosure required for carrying amount of debt for which capital assets held for sale are pledged
 - Disclosure broken down into governmental activities and business-type activities

GASB Future Projects – What's Coming Up?

Topic	Milestone	Expected Date
Severe Financial Stress and Probable Dissolution Disclosures	Preliminary Views Document – Comments Due June 30, 2025	2025 Q2
Implementation Guidance – 2025	Final Document	2025 Q2
Infrastructure Assets	Public Hearings and Deliberations – In Process	2025 Q2
Revenue and Expense Recognition	Exposure Draft	2025 Q4
Subsequent Events	Final Document	2025 Q4

 #iasboAC25



PURSuing YOUR PURPOSE *with passion*

GASB Statement No. 101 – Compensated Absences

OBJECTIVES

- Better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences
- Align the recognition and measurement guidance under a unified model and amend certain previously required disclosures

EFFECTIVE DATE

- Fiscal years beginning after December 15, 2023 (i.e. fiscal years ending June 30, 2025)

GASB Statement No. 101 – Compensated Absences

Re-Defining Compensated Absences

- Cash payments when the leave is used for time off
- Other cash payments, such as payments for unused leave upon termination of employment
- Noncash settlement, such as conversion to postemployment benefits

Examples

Vacation and sick leave, paid time off, holidays, parental leave, certain types of sabbatical leave

GASB Statement No. 101 – Compensated Absences

Accrued Liability Reporting

- Separate categories

Leave accumulated and has <u>not</u> been used by employees or otherwise paid/settled	Leave used by employees but not yet paid by employer
Compensated Absences	Salaries payable
Defined Benefit Pension and OPEB Liabilities	Payroll taxes payable
	Defined contribution or OPEB plan contributions payable

GASB Statement No. 101 – Compensated Absences

Recognition Criteria

- Leave that has not been used (**ALL 3 CRITERIA MUST BE MET**)
 - Attributable to services already rendered
 - Accumulates – can be carried forward from reporting period earned
 - More likely than not (likelihood of more than 50%) to be used for time off or otherwise paid/settled
- Leave used but not paid
 - Liability for amount of cash payment or noncash settlement
 - Include applicable salary-related payments

GASB Statement No. 101 – Compensated Absences

Measurement

- Two components for consideration:

1. Pay Rate	2. Salary Related Payments
Use the employee's pay rate at financial reporting date	Directly and incrementally related
Exception: More likely than not to be paid at a different rate – use that alternative rate	Defined-contribution pension or OPEB recognized as related leave is earned – not a pension or OPEB liability
	Defined-benefit pension or OPEB excluded

GASB Statement No. 101 – Compensated Absences

Measurement (Continued)

Example: Employee's annual pay is \$100,000 as of June 30th and increased to \$110,000 on July 1st.

- Liability is calculated based on \$100,000.
- Effect of rate increase will be recognized as an addition to the liability in the next fiscal year.

GASB Statement No. 101 – Compensated Absences

Exceptions to the general recognition approach

- Leave dependent on occurrence of sporadic event that affects relatively small proportion of employees in any particular reporting period
 - Recognize liability when leave commences for entire period
 - Includes parental leave, military leave, jury duty
 - Excludes sick leave or sabbatical leave

Example: Report 60 days of leave liability for an employee who begins a 90-day parental leave 30 days before fiscal year end

GASB Statement No. 101 – Compensated Absences

Exceptions to the general recognition approach (Continued)

- Leave more likely than not to be settled through conversion to defined benefit pension or OPEB
Not recognized as compensated absence liability (Liability will be included in actuarially calculated pension/OPEB liability)
- Unlimited Leave and Date-Specific Holiday Leave
 - Recognize liability when leave is taken

Example: Employees entitled to a paid day off on January 1st if they are in active service at end of day on December 31st. **No liability** should be reported for that leave for December 31st year end financial statements.

GASB Statement No. 101 – Compensated Absences

Additional Considerations

- Employees entitled to accumulate unlimited leave, but may only be eligible for settlement of a portion of unused leave upon separation (max days/\$)
 - Pre-GASB 101: Accrue liability up to a maximum settlement value
 - GASB 101: Accrue liability for accumulated leave more likely than not to be used

GASB Statement No. 101 – Compensated Absences

Sabbatical Leave

Sabbatical leave meets the criteria for recognition as a compensated absences liability **if:**

Employee is not required to perform any significant duties for the government during the sabbatical (unrestricted sabbatical leave)

If the employee is required to perform duties of a different nature for the government during the sabbatical (for example, research instead of teaching), the sabbatical is not a compensated absence.

GASB Statement No. 101 – Compensated Absences

Note Disclosures

No new note disclosures!

Exceptions to existing long-term liability disclosures

- Option to present net increase/decrease with indication that it is a net amount



GASB Statement No. 101 – Compensated Absences

Implementation

- Retroactive implementation (if practicable) for all prior periods presented
 - Considerations: Comparative financial statements

GASB Statement No. 101 – Compensated Absences

Example

- Paid Time Off (PTO)
 - PTO that is earned each month, carries over without limits at the end of the fiscal year, and for which any unused leave is paid upon termination of employment
 - Accordingly, all accumulated PTO is recognized as a compensated absences liability

GASB Statement No. 101 – Compensated Absences

Example

- Sick Leave (Part 1)
 - Sick leave that is earned each month and carries over without limits at the end of the fiscal year, but any unused leave is not paid upon termination of employment.

GASB Statement No. 101 – Compensated Absences

Example

- Sick Leave (Part 2)
 - Sick leave that is earned each month, does not carry over at the end of the fiscal year, and is not paid upon termination of employment.

GASB Statement No. 101 – Compensated Absences

Miscellaneous Items

- Leave not attributable to a specific employee (employee leave pool)
 - Measure the liability using an estimated pay rate representative of eligible employee population
- Changes to the measurement of the liability in future periods due to a change in pay rate should be recognized in the period of the change
- Compensated absences paid to an individual account (instead of directly to the employee) to be used for specific purposes generally should be included in the liability for compensated absences
- When determining “more likely than not to be used for time off”, may be helpful to look at classes of employees instead of the employee population as a whole.

GASB Statement No. 101 – Compensated Absences

Key Takeaways

- Understand your District's employment policies related to all types of compensated absences offered
 - Employee handbook? Collective bargaining agreements? Have a clear understanding of all relevant policies
 - Not a one-size-fits-all application as policies differ from one organization to the next.
 - Be proactive with the data extraction (i.e. hours usage) and historical analysis

Questions and Answers

We thank you for your time!

 #iasboAC25



PURSuing YOUR PURPOSE *with passion*

Presenters:

MODERATOR INFO:

Betsy Allen CPA – Principal, Miller, Cooper & Co. Ltd.
(847) 527-1117; ballen@millercooper.com

PANELISTS INFO:

Matthew A. Geerdes, CPA, MBA – Principal, Sikich CPA LLC
(630) 364-7968; matt.geerdes@sikich.com

Lindsey Fish, CPA – Principal, Sikich LLP
(630) 210-3142; lindsey.fish@sikich.com

 X #iasboAC25



PURSUING YOUR PURPOSE *with passion*