

# GASB Update

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**GFOA-PA**  
GOVERNMENT FINANCE OFFICERS  
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# GASB Standards Tracker

## Reporting periods beginning after December 15, 2023

- GASB Statement No. 101, *Compensated Absences*

## Reporting periods beginning after June 15, 2024

- GASB Statement No. 102, *Certain Risk Disclosures*

## Reporting periods beginning after June 15, 2025

- GASB Statement No. 103, *Financial Reporting Model Improvements*
- GASB Statement No. 104, *Disclosure of Certain Capital Assets*



# GASB Statement No. 101

*Compensated Absences*

Reporting periods beginning after December 15, 2023



# GASB No. 101: Compensated Absences

- Objective
  - Ensure accurate and transparent reporting of liabilities associated with employee benefits
- Impact
  - Updates the recognition and measurement guidance for compensated absences



# GASB No. 101: Updated Terminology

- Under Old (GASB 16)
  - Absences where employees will be paid in cash upon employment termination (i.e., sick)
  - Vacation leave used as PTO or some other means (such as payment for unused vacation time upon employment termination)
- Under New (GASB 101)
  - Leave where employees receive one or more:
    - Cash payments when leave used for time off
    - Other payments (such as payment for unused leave)
    - Noncash settlements (such as conversion to DC OPEB/time credit)



# GASB No. 101

- Recognize compensated absence liability for leave that:
  - Accumulates
  - Compensation for services already rendered
  - More likely than not to be used or settled
- Measure liability for leave based upon applicable pay rates in effect at end of reporting period
- Amends existing disclosure guidance:
  - Now requires only net change in the liability
  - No longer required to disclose which governmental funds used to liquidate liability



# GASB No. 101

- What has changed?
  - No distinction between accounting for sick time versus vacation time
  - Focus is no longer on payments at termination (sick time), but rather EITHER on payments at termination OR future payment when leave is used for time off
  - Probability threshold is lower (likely means HIGHER accruals)
  - Much less prescriptive



# GASB No. 101: Exceptions from General Rule

- Leave dependent upon the occurrence of a sporadic event that affects a small proportion of employees in a particular reporting period: recognize when leave commences
- Unlimited leave and holiday leave taken on a specific date: recognize when leave is taken
- Leave more likely than not to be settled through conversion to defined benefit pension or other postemployment benefits: not recognized



# GASB No. 101: Considerations When Developing Estimates

- Employment policies for compensated absences
- Whether earned leave will become eligible to be used or settled in cash in the future
- Historical information about leave usage patterns
- Clearly document approach



# GASB No. 101: Reminders

- There is no change in recognition in governmental funds!
- Disclosure updates:
  - Can now show net annual change in compensated liability (instead of gross)
  - No longer required to disclose the funds used to liquidate liability for compensated absences
- Year of adoption: Report as a change in accounting principle in accordance with GASB 100



# Compensated Absences Overview

- What is different from past standards?
  - Sick leave was only recorded as liability for reimbursement portion, not what was actually used for sick days
  - Now all sick leave must be evaluated and potentially recorded
  - **If some leave is likely to be paid at a different rate from employee's pay rate at the time of payment, should measure that portion of liability at different rate**
    - **Allocate/calculate portion of leave that will be used as sick leave (paid at full rate) from portion that will be paid at termination, if paid at a different rate**
      - **Think about limitations on amount of sick days paid or paid at different rate per day/hour**



# Compensated Absences Overview

Sample Sick Leave Calculation							
	Total Leave at Year End (Hours)	Rate per Hour at Year End	Hours Expected to Be Used as Sick Leave	Amount	Remaining Hours at Retirement	Amount @ 50%	Total
Employee 1	10	\$ 20.00	5	\$ 100.00	5	\$ 50.00	\$ 150.00
Employee 2	12	\$ 23.50	5	\$ 117.50	7	\$ 82.25	\$ 199.75
Employee 3	20	\$ 32.00	5	\$ 160.00	15	\$ 240.00	\$ 400.00

*Payout policy at Retirement – leave paid for all days at 50% of payrate*



# GASB Statement No. 102

*Certain Risk Disclosures*

Reporting periods beginning after June 15, 2024



# GASB No. 102: Certain Risk Disclosures

- Footnote disclosure only
- Goal is to provide users of FS with risks related to government's vulnerabilities due to certain:
  - Concentrations
  - Constraints



# GASB No. 102: Definition of “Concentration”

- Lack of diversity related to an aspect of a significant inflow of resources or outflow of resources
- Examples included in guidance (but not limited to):
  - Major employer or industry
  - Collective bargaining agreements
  - Vendor/suppliers
  - Providers of financial resources



# GASB No. 102: Definition of “Constraint”

- Limitation on the government by:
  - External party
  - Government itself (formal action)
- Examples included in guidance (but not limited to):
  - Limitations on raising revenue
  - Limitations on spending
  - Limitations on incurrence of debt
  - Mandates on spending



# When is GASB No. 102 Disclosure Required?

- Concentration or constraint is known prior to financial statement issuance,
- Concentration or constraint makes government vulnerable to a substantial impact, AND
- An event(s) that could cause the substantial impact either had occurred or is more likely than not to begin to occur within 12 months of financial statement issuance



# GASB No. 102: Required Disclosures

- Concentration or constraint that exists
- Each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to financial statement issuance
- Actions take by the government prior to financial statement issuance to mitigate the risk



# GASB No. 102: Considerations

- Governments probably know of concentrations or constraints that currently exist
- Vulnerabilities may exist, but needs to be substantial impact
- Not required to search for events that could cause significant impact
- Comparative statements implementation – disclose only for risks that exist as of reporting date of current year



# GASB Statement No. 103

*Financial Reporting Model Improvements*

Reporting periods beginning after June 15, 2025



# GASB No. 103: Financial Reporting Model Improvements

- Reporting changes to:
  - Management's Discussion and Analysis
  - Major component unit presentation
  - Unusual and infrequent items
  - Proprietary Funds
  - Statistical Section
  - Budgetary Comparisons



# Management's Discussion and Analysis Changes

- Focus on understandability, especially users who may not be knowledgeable in governmental accounting
- Focus needs to be on the “Analysis” – WHY balances and results of operations changed
- Reduction in topics:
  - Modified approach to infrastructure discussions removed – include in notes and RSI instead)
  - Analysis of budgetary variances for General Fund is removed – include in notes to RSI
  - Government-wide and each major fund analysis now combined into ‘detailed analysis’ section



# Presentation of Major Component Units Under GASB No. 103

- No longer allowed to present condensed discretely presented component units (CUs) in the footnotes
- Required to present major discretely presented CUs:
  - Separate columns in financial statements unless it reduces readability
  - If reduced readability, display in combining statements of major CUs in the basic financial statement following fund financial statement



# **GASB No. 103: *Unusual or Infrequent* Items**

## **UNUSUAL IN NATURE**

- An event or transaction is abnormal and significantly different from the ordinary and typical activities of the government

## **INFREQUENT IN OCCURENCE**

- An event or transaction is of a type not reasonably expected to recur in the foreseeable future



# GASB No. 103: Proprietary Fund Presentation

- **Nonoperating** revenues and expenses are now defined specifically as (except if constitutes the fund's principal ongoing operations):
  - Contributions to permanent and term endowments
  - Financing related revenues and expenses
  - Proceeds from the disposal of capital assets and items reported as inventory
  - Investment income and expenses
  - Subsidies received and provided (NEW)
- If it doesn't meet definition of above, then it is operating



# GASB No. 103: Proprietary Fund Presentation

- 'Subsidy' definition:
  - Resources received from another party or fund
    - Not related to the goods or services provided by the proprietary fund to the provider, and
    - That directly or indirectly keeps the fund's current and future fees or charges lower than they otherwise would be
  - Resources provided to another party or fund
    - Not related to the goods or services provided by the provider or fund, and
    - That are recoverable through the fund's current or future fees/charges
  - All other transfers



# GASB No. 103: Proprietary Fund Presentation

Operating revenues (detailed)

    Total operating revenues

Operating expenses (detailed)

    Total operating expenses

        Operating income (loss)

Noncapital subsidies (detailed)

    Total noncapital subsidies

        Operating income (lost) and noncapital subsidies

Other nonoperating revenues and expenses (detailed)

    Total other nonoperating revenues and expenses

        Income (loss) before unusual or infrequent items

Unusual or infrequent items (detailed)

    Increase (decrease) in fund net position

Fund net position – Beginning of period

**Fund net position – End of period**



# GASB No. 103: Budgetary Comparison Info

- Schedules for GF and each major SRF with legally adopted budget
  - Now required to present in RSI (no longer option to present in basic financial statement)
- Variance columns required
  - Original and final budgets (NEW)
  - Final budget and actual results
- Notes to RSI need to explain significant differences between
  - Original and final budgets (NEW)
  - Final budget and actual results



# Example of Budgetary Schedule from GASB No. 103

Required Supplementary Information					
Sample City					
Budgetary Comparison Schedule					
General Fund					
for the Year Ended June 30, 20X5					
<i>(amounts expressed in thousands)</i>					
	Budgeted Amounts		Variance with Original Budget— over (under) Final Budget	Actual Amounts Budgetary (and GAAP) Basis	Variance with Final Budget— over (under) Actual Amounts
	Original	Final			
<b>BUDGETARY REVENUES</b>					
Taxes	\$ 157,715	\$ 157,715	\$ -	\$ 161,885	\$ 4,170
Payments in lieu of taxes	16,218	15,853	(365)	15,737	(116)
Intergovernmental	1,580	2,002	442	1,597	(405)
Charges for services	13,299	13,299	-	13,905	606
Licenses, permits, and fees	2,712	3,220	508	3,532	312
Fines and forfeitures	8,262	8,262	-	7,853	(409)
Investment earnings	5,100	5,100	-	6,792	1,692
Miscellaneous	3,313	3,313	-	2,075	(1,238)
	<u>208,179</u>	<u>208,764</u>	<u>585</u>	<u>213,376</u>	<u>4,612</u>
<b>BUDGETARY EXPENDITURES</b>					
Current:					
General government	29,786	29,138	(648)	29,097	(41)
Public safety	132,479	129,953	(2,526)	129,770	(183)
Public works	3,297	3,263	(34)	1,882	(1,381)
Culture and recreation	22,086	22,075	(11)	21,354	(721)
Social and economic development	12,095	12,038	(57)	11,614	(424)
Debt Service:					
Principal	1,275	1,275	-	1,262	(13)
Interest and other charges	41	41	-	54	13
Capital outlay	1,105	1,105	-	1,103	(2)
	<u>202,164</u>	<u>198,888</u>	<u>(3,276)</u>	<u>196,136</u>	<u>(2,752)</u>
Budgetary excess of revenues over expenditures	<u>6,015</u>	<u>9,876</u>	<u>3,861</u>	<u>17,240</u>	<u>7,364</u>

# GASB Statement No. 104

*Disclosure of Certain Capital Assets*

Reporting periods beginning after June 15, 2025



# GASB No. 104: Disclosure of Certain Capital Assets

- Does not change recognition of capital assets
- Establish requirements for certain types of capital assets to be disclosed separately
- Establishes requirements for capital assets held for sale and required disclosure



# **GASB No. 104: Separate Disclosure Required**

- Lease assets reported under GASB 87, by major class of underlying asset
- Intangible right-to-use assets under GASB 94, by major class of underlying asset
- Subscription assets reported under GASB 96
- Intangible assets other than those listed above, by major class of asset



# GASB No. 104: Capital Assets Held for Sale

## Capital Asset Held for Sale:

- The government has decided to pursue the sale of the asset AND
- It is probable that the sale will be finalized within 1 year of financial statement date

## Separate Disclosure:

- Historical cost and accumulated depreciation of assets for sale
- Carrying amount of debt for which capital assets held sale are pledged as collateral



# GASB Exposure Draft

*Subsequent Events*



# GASB Exposure Draft: Subsequent Events

- Defines subsequent events as transactions that occur after the date of the financial statements but before the date the financial statements are available to be issued
- Defines Recognized and Nonrecognized Events
- Clarifies disclosures required for Nonrecognized Events



# Contact Us

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