

GASB UPDATE

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GASB 101: Compensated Absences

Introduction to GASB 101

- ▶ Focuses on accounting and financial reporting for compensated absences.
- ▶ Replaces previous guidance in GASB Statements No. 16. and 34.
- ▶ Enhance consistency and comparability across governments.
- ▶ Simplify and clarify guidance on compensated absences.
- ▶ Better reflect the economic substance of employee leave benefits.

Definition of Compensated Absences

- - ▶ Leave benefits that are earned by employees and expected to be paid.
 - ▶ Includes vacation, sick leave, sabbatical leave, and other similar benefits.
 - ▶ Differentiates between leave that vests or accumulates and leave that does not

Scope and Applicability

- ▶ Applies to all state and local governments that provide compensated absences.
- ▶ Applicable for fiscal years beginning after December 15, 2023.
- ▶ Early adoption is permitted.

Measurement of Liability

- ▶ Recognize a liability for leave that has been earned but not yet used.
- ▶ Measure at the amount expected to be paid.
- ▶ Use either current compensation rates or projected future rates based on policy.

Recognition Criteria

- ▶ Recognize a liability if the leave is:
 - ▶ Attributable to services already rendered.
 - ▶ Probable to result in a future payment.
- ▶ Consider historical usage patterns and employee policies.

Accrual vs. Modified Accrual Basis

- ▶ Proprietary and fiduciary funds: Use full accrual accounting.
- ▶ Governmental funds: Use modified accrual accounting.
- ▶ Report long-term portion of liabilities only in government-wide statements.

Financial Statement Disclosures

- ▶ Disclose policies for compensated absences.
- ▶ Provide the amount of liabilities recognized.
- ▶ Explain changes in liability balances.

Transition and Implementation

- ▶ Apply retroactively by restating prior periods if practicable.
- ▶ If not practicable, adjust beginning net position.
- ▶ Provide transition disclosures in the first year of implementation.

Practical Considerations

- ▶ Review and update leave policies.
- ▶ Ensure accurate leave tracking systems.
- ▶ Train staff and coordinate with auditors.

GASB 102 Certain Risk Disclosures

Key Definitions

- ▶ **Concentrations:** Situations where a government relies on a limited number of sources for resources or faces limitations in spending flexibility.
- ▶ **Constraints:** Legal or contractual limitations that restrict a government's ability to acquire resources or control spending.

Disclosure Requirements

- ▶ Governments must disclose vulnerabilities due to concentrations or constraints if all the following criteria are met:
 - ▶ The concentration or constraint is known prior to the financial statement issuance.
 - ▶ An event occurs that could cause a significant effect on the government's ability to provide services.
 - ▶ It is at least reasonably possible that the event will occur.

Examples of Applicable Risks

- ▶ Dependence on a single employer or industry for tax revenues.
- ▶ Legal limitations on raising revenues or incurring debt.
- ▶ Reliance on a single funding source for major programs

Implementation Considerations

- ▶ Assess existing concentrations and constraints.
- ▶ Establish processes to identify triggering events.
- ▶ Prepare to include necessary disclosures in financial statements.



GASB 103: Financial Reporting Model Improvements

Overview of GASB 103

- ▶ Issued to enhance the effectiveness of the financial reporting model in providing information that is essential for decision-making and assessing a government's accountability.
- ▶ Effective for fiscal years beginning after June 15, 2025.

Management's Discussion and Analysis (MD&A) Enhancements

- ▶ Emphasis on providing explanations for changes in financial position, not just presenting data.
- ▶ Encourages discussion of significant capital asset and long-term financing activity.

Unusual or Infrequent Items

- ▶ Requires separate presentation of unusual or infrequent items in financial statements.
- ▶ Disclosures should include the nature and financial effect of each item.
- ▶ Applies to all levels of financial statements (GW, Fund, combining). Separate disclosure of inflows/ outflows.

Proprietary Fund Reporting Changes

- ▶ Clarifies the classification of operating and non-operating revenues and expenses.
- ▶ If not non-operating, it is considered operating. (non-oper.= subsidies, contributions, endowment, financing)
- ▶ Aims to improve the consistency and comparability of proprietary fund financial statements.

Component Unit Information


- ▶ Requires the presentation of major component unit information in the basic financial statements.
- ▶ Enhances the transparency of financial reporting for component units.

Budgetary Comparison Information

- ▶ Mandates the presentation of budgetary comparison schedules as required supplementary information.
- ▶ Encourages the use of the original and final budget amounts for comparison

Implementation and Transition

- ▶ Apply retroactively by restating prior periods if practicable.
- ▶ If restatement is not practicable, disclose the reason and apply the changes prospectively.



GASB 104: Disclosure of Certain Capital Assets

Purpose of GASB 104

- ▶ New Capital Asset Disclosures
Establishes requirements for disclosing certain types of capital assets separately in the notes to financial statements.
- ▶ Aims to provide users with essential information about capital assets held for sale and certain intangible assets.

Capital Assets Held for Sale

- ▶ Criteria for classification as held for sale:
 - ▶ Management has committed to a plan to sell the asset.
 - ▶ It is probable that the sale will be completed within one year.
- ▶ Such assets should continue to be reported in the appropriate capital asset category until sold.

Disclosure Requirements for Held-for-Sale Assets

- ▶ Disclose the following in the notes:
 - ▶ Description of the assets.
 - ▶ Carrying amount and estimated fair value.
 - ▶ Expected timing of the sale.

Intangible Capital Assets

- ▶ Requires separate disclosure of certain intangible assets, including:
 - ▶ Lease assets (GASB 87).
 - ▶ Subscription-based IT arrangements (GASB 96).
 - ▶ Other significant intangible assets.

Implementation Timeline

- ▶ Effective for fiscal years beginning after June 15, 2025.
- ▶ Early application is encouraged.
- ▶ Apply retroactively by restating prior periods if practicable.



GASB Technical Projects

Current Technical Projects

- ▶ Key Developments in Infrastructure, Going Concern, and Subsequent Events
 - ▶ Infrastructure Recognition and Disclosure
 - ▶ Going Concern Uncertainties and Severe Financial Stress
 - ▶ Subsequent Events

Infrastructure Recognition & Disclosure

▶ Why the Change?

- ▶ Inconsistent practices in recognizing and reporting infrastructure assets.
- ▶ Need for improved comparability and clarity in financial reporting.

▶ Nature of Proposed Change:

- ▶ Establish uniform requirements for recognizing all infrastructure assets.
- ▶ Require consistent reporting of maintenance and preservation costs

▶ Implementation Considerations:

- ▶ Governments may need to revise asset capitalization thresholds.
- ▶ Update asset management systems and inventory records.

Going Concern Uncertainties and Severe Financial Stress

▶ Why the Change?

- ▶ Current guidance lacks clarity for state and local governments.
- ▶ High-profile financial distress cases have highlighted gaps.

▶ Nature of Proposed Change:

- ▶ Define indicators of severe financial stress.
- ▶ Require enhanced disclosures when a government may be unable to meet obligations.

▶ Implementation Considerations:

- ▶ Develop internal financial stress assessments.
- ▶ Train financial staff on new evaluation criteria.

Subsequent Events

► Why the Change?

- Lack of specific guidance on treatment and timing of subsequent events.
- Desire for alignment with FASB and international standards.

► Nature of Proposed Change:

- Clarify the period for recognizing subsequent events.
- Define the types of events that must be disclosed or adjusted in financial statements.

► Implementation Considerations:

- Enhance closing procedures to capture post-year-end events.
- Update disclosure checklists.

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