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GASB Update
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1

Your Presenters



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2

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GASB 101
Compensated Absences

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3

GASB 101 – Compensated Absences

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- **Implementation**
 - Effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.
- The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.



4

GASB 101 – Compensated Absences

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- **GASB 16 (1992) Rules-Based vs GASB 101 (2025) Principles-Based**
 - GASB 16 – Accrued only if probable to compensate upon termination/retirement
 - Vacation, Sick, Sabbatical
 - GASB 101 – Accrue for all leave types regardless of payment likelihood
 - Cash payments when leave is used for time off
 - Other cash payments, such as payment for unused leave upon termination of employment
 - Noncash settlements, such as conversion to defined benefit postemployment benefits
- **Deemed "Moderate" Implementation Impact by GASB**
 - May have no impact on Agency at all
 - Sick leave where no payment is made upon termination will have most significant impact



5

GASB 101 – Compensated Absences

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- **Recognition criteria (All 3)**
 - Services already rendered
 - Accumulates across fiscal years
 - More likely than not to be used for time off or paid out (defined as 50% or greater)
- **Vesting is not a recognition criteria**
 - If not paid at termination, estimation of liability for the most likely amount to be used



6

GASB 101 – Compensated Absences

- Audit Preparation
 - Copy of employee benefit policy
 - Estimation/calculation support
 - Commonly historical forfeiture rates
 - Change in pay rate adjustments
- ACFR impact
 - Compensated absences footnote will now present net annual change
 - No longer present gross additions and deletions columns



7

GASB 101 – Compensated Absences

- How to evaluate leave:
 - Determine whether leave is more likely than not to be used for time off or otherwise paid in cash, or settled through non-cash means, by assessing factors such as:
 - The Government's employment policies related to compensated absences
 - Whether leave that has been earned is, or will become, eligible for use or payment in the future
 - Historical information about the use, payment, or forfeiture of compensated absences
 - Information known to the government that would indicate that historical information may not be representative of future trends or patterns.



8

GASB 101 – Compensated Absences

- Compensated Absences that are dependent on the occurrence of a sporadic event that affects a relatively small proportion of employees in any particular reporting period should not be recognized as a liability until the leave commences:
 - Parental leave
 - Military leave
 - Jury duty
 - Unlimited leave
 - Holiday leave



9

GASB 101 – Compensated Absences

- Determining the calculation for Compensated Absences
 - A liability for leave should be measured using an employee's rate as of the date of the financial statements unless:
 - Leave is more likely than not to be paid at a different rate from the employees pay rate at the time the payment is made.
 - Leave is not attributable to a specific employees as of the date of the financial statements



10

GASB 101 – Compensated Absences

- Salary Related Payments - Obligations incurred by the government related to providing leave in exchange for services rendered
 - Must include salary related payments that are
 - Directly associated with leave
 - Incrementally associated with leave
 - Salary related payments related to Defined Benefit Pension or Defined Benefit OPEB plans are **NOT** included in the measurement of compensated absences



11



How to Implement

12

GASB 101 – Compensated Absences

- **Situation # 1 – Policy provides Unlimited PTO**
 - Leave is not recognized as a liability until used

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13

GASB 101 – Compensated Absences

- **Situation # 2 – Payout of 100% of balances**
 - Total Accrued Leave balance and calculate using the payrate at Year-End
 - Include any Salary Related payments

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14

GASB 101 – Compensated Absences

- **Situation # 3 – Payout of NO balances at termination**
 - Estimate the leave usage
 - Based on historical averages
 - Calculate leave based on estimate and using the pay rate at Year-End

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15

GASB 101 – Compensated Absences

- **Situation # 4 – Payout of balances at termination – but not at 100% of balance**
 - Step 1: Estimate the leave usage
 - Based on historical averages
 - Step 2: Remove the estimated hours from ending leave balance
 - Step 3: Using the remaining balance, determine hours available based reductions per policy
 - Step 4: Calculate leave based on number of hours in steps 1 and 3 and using the pay rate at Year-End



16

GASB 101 – Compensated Absences

- **Situation # 5 – Payout of balances at 100% at termination – but a different rate**
 - Step 1: Estimate the leave usage
 - Based on historical averages
 - Step 2: Remove the estimated hours from ending leave balance
 - Step 3: Using the remaining balance, determine hours available
 - Step 4: Calculate leave based on number of hours in steps 1 and 3
 - Usage Pay: estimate hours from step 1 at current pay rate
 - Termination Pay: Calculate based on hours calculated at step 3 using reduced rate specified by policy



17

GASB 101 – Compensated Absences

- **Situation # 6 – Payout of balances at termination – with a cap on hours to be paid out**
 - Step 1: Estimate the leave usage
 - Based on historical averages
 - Step 2: Remove the estimated hours from ending leave balance
 - Step 3: Using the remaining balance, adjust for any cap on the balance
 - Step 4: Calculate leave based on number of hours in steps 1 and 3
 - Usage Pay: estimate hours from step 1 at current pay rate
 - Termination Pay: Calculate based on hours calculated at step 3, adjusted for cap at current pay rate



18

LSL GASB 101 Webinar Recording

- Scan the QR code below to watch the full recording at your convenience.
- Or visit <https://lsicpas.com/webinar/back-to-basics-gasb-101-compensated-absences/>



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19

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**GASB 102
Certain Risk Disclosures**

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20

GASB 102 – Certain Risk Disclosures

- **Implementation**
 - Effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.
- Objective is to provide financial statement users with information about risks related to government’s vulnerabilities due to certain concentrations or constraints

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21

GASB 102 – Certain Risk Disclosures

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



22

GASB 102 – Certain Risk Disclosures

- Disclosure in notes to financial statements should be made if all of the following are met:
 - A concentration or constraint is known to the government prior to the issuance of the financials
 - The concentration or constraint makes the reporting unit vulnerable to risk of a substantial impact.
 - Events associated with the concentration or constraint, that could cause a substantial impact, have occurred, begun to occur, or are more likely than not to begin to occur within 12 months of the financial statement issuance date.



23

GASB 102 – Certain Risk Disclosures

- For each concentration or constraint disclosures should describe the following:
 - The concentration or constrain
 - Each event associated that could cause substantial impact
 - Actions taken by the government prior to the issuance of the financial statements to mitigate the risk



24



GASB 103 Reporting Model Changes

25

GASB 103 – Reporting Model Changes

- **Implementation**
 - Effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.
- The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The Statement also addressed certain application issues.



26

GASB 103 – Reporting Model Changes

- Management's Discussion and Analysis (MD&A)
- Unusual or Infrequent Items
- Presentation of the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position
- Major Component Unit Information
- Budgetary Comparison Information



27

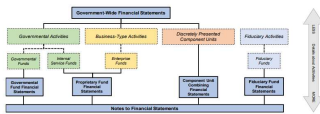
GASB 103 – Reporting Model Changes

- Management's Discussion and Analysis Sections
 - Overview of Financial Statements
 - Financial Summary
 - Detailed Analyses
- Significant Capital Asset & Long-Term Financing Activity
- Currently Known Facts, Decisions, or Conditions

Overview of the Financial Statements

- Overview of the basic financial statements including the relationships of the statements to each other.
- Overview should focus on significant differences in the types of information provided in each type of statement

Figure A-1. Contents of the City's Basic Financial Statements



Financial Summary

Figure A-2. Types of Information Reported in the City's Financial Statements

	Financial Statements			
	Governmental Wide	Proprietary Fund	Fiduciary Component	Governmental Fund
Types of assets and liabilities	All assets and liabilities, both financial and nonfinancial, short term and long term			Only current financial resources, such as cash, lease receivable, and accounts payable
Types of revenues/additions	All types of revenues/additions that flow into the government during the year that relate to that year, regardless of when cash is received			Only revenues that are measurable and available to finance expenditures of that year
Types of expenses/deducted expenditures	All types of expenses/deducted expenditures that flow out of the government during the year that relate to that year, regardless of when cash is paid			Only expenditures for which the needed governmental fund liability is incurred in that year
Types of deferred outflows of resources and deferred inflows of resources	All types of resources that flow into and out of the government during the year that relate to a future year			Current financial resources that flow into and out of the governmental funds during the year that relate to a future year

More detail about the measurement focuses and bases of accounting can be found in the first note to financial statements, the summary of significant accounting policies, beginning on page XX.

Detailed Analyses

- Tell the story behind the numbers
- Fact based and discuss activities that had significant positive or negative impact on balances compared to the prior year
- **Emphasis on why balances changed**
 - Market changes or investment policy changes
- **Avoid repetition**
 - Reference prior discussion if explanations are relevant in multiple section
 - Refer to significant capital asset and long-term financing activity section or vice versa



31

Detailed Analyses – Government-Wide

Government-Wide

- Not required to analyze whether net position has improved or worsened
- Reasons for change and why and quantified magnitude
- Facts, decisions, and conditions in addition to policy changes
- Market conditions
- Internal policy changes

Fund Level

- Analysis of each major fund
- Reasons for change and why and quantified magnitude
- Restrictions, commitments, and assignments of fund balance
- Facts, decisions, and conditions in addition to policy changes
 - Market conditions
 - Internal policy changes



32

Significant Capital Asset and Long-Term Financing

Capital Assets

- Description of significant capital asset activity – including intangibles
- Significant additions and disposals of capital assets and changes to commitments
- Policy changes or economic factors that affected activity

Long-Term Financing

- Similar to prior presentation
- Includes debt, leases, PPPs, and SBITAs
- Changes in credit rating, debt limitations
- Policy changes or economic factors that affected activity



33

Currently Known Facts, Decisions, or Conditions

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- Description of currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or that are expected to produce significant differences from current period results of operations
 - Trends in relevant economic or demographic data
 - Factors used to develop subsequent year's budget
 - Budgetary analysis moved to RSI



34

Unusual or Infrequent Items

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- Extraordinary and Special Items are now Unusual or Infrequent Items
- Presented separately and not shown net
- Located as a separate section before the change in fund balance/net position

OTHER FINANCIAL SOURCES (USES)						
Long-term debt issued	-	-	30,649	110,881	-	150,230
Payments on debt issued	-	-	1,800	6,244	-	7,844
Payment to bond refunding source agent	-	-	(30,200)	-	-	(30,200)
Proceeds from the sale of capital assets	219	-	-	-	-	219
Transfers in	2,830	-	-	192	1,300	4,322
Transfers out	(851)	-	-	(18,284)	(1,000)	(19,135)
Total other financing sources (uses)	2,227	-	32	(7,267)	12,071	16,113
UNUSUAL OR INFREQUENT ITEM-PL-000 DAMAGE						
Gain/loss	2,000	-	-	-	-	2,000
Other	(10,000)	-	-	-	-	(10,000)
Total unusual or infrequent item	(7,500)	-	-	-	-	(7,500)
Net change in fund balances	11,383	483	2,000	71,789	3,404	89,119
Fund balances—beginning of period	30,836	4,384	60,226	548,300	14,878	669,214
Fund balances—end of period	\$ 42,219	\$ 4,867	\$ 62,226	\$ 620,089	\$ 18,282	\$ 758,333



35

GASB 103 – Reporting Model Changes

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- Presentation of the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position
 - The statement should distinguish between:
 - Operating revenues and expenses
 - Nonoperating revenues and expenses
 - Noncapital subsidies should be separately reported



36

GASB 103 – Reporting Model Changes

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- Presentation of the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position
 - Operating revenues and expenses are revenues and expenses other than nonoperating revenues and expenses
 - Nonoperating revenues and expenses are
 - Subsidies received and provided
 - Contributions to permanent and term endowments
 - Revenues and expenses related to financing
 - Resources from the disposal of capital assets and inventory
 - Investment income and expenses



37

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- Subsidies are defined as:
 - Resources received from another party or fund
 - For which the proprietary fund doesn't provide goods and services to the other party or fund
 - That directly or indirectly keep the proprietary fund's current or future fees and charges lower than they would be otherwise
 - Resources provided to another party or fund
 - For which the other party or fund doesn't provide goods and services to the proprietary funds
 - That are recoverable through the proprietary fund's current or future pricing policies
 - All other transfers



38

Presentation of the Proprietary Fund Statement of Revenue, Expenses and Changes in Net Position

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- Operating revenues (detailed)
 - Total operating revenues
- Operating expenses (detailed)
 - Total operating expenses
 - Operating income (loss)
- Noncapital subsidies (detailed)
 - Total noncapital subsidies
 - Operating income (loss) 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



39

GASB 103 – Reporting Model Changes

- **Information about Major Component Units in Basic Financial Statements**
 - Should present each major component unit separately in the statements of net position and activities if it does not reduce the readability of the statements
 - If it does reduce the readability, combining statements of major component units should be included in the basic financial statements after the fund statements



40

GASB 103 – Reporting Model Changes

- **Budgetary Comparison Information**
 - Schedules should be presented as RSI for the General Fund and major special revenue funds
 - Requires separate columns for the variances between
 - Original and Final Budget Amount
 - Final Budget amounts and actual results
 - Explanation of significant variations required to be presented in the notes to RSI




41

GASB 103 – Reporting Model Changes

- **Statistical Section**
 - Governments engaged in only business-type or business-type and fiduciary activities should present revenues by major source
 - Distinguish between operating, noncapital subsidy, and other nonoperating revenues and expenses



42




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GASB 104 Disclosure of Certain Capital Assets

43

GASB 104 – Disclosure of Certain Capital Assets

- Effective for fiscal years beginning after June 15, 2025
- Establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34




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44

GASB 104 – Disclosure of Certain Capital Assets

- **Separate Disclosure of Certain Capital Assets:**
 - Lease Assets (GASB 87) - reported by major class of underlying assets
 - Intangible right-to-use assets recognized by an operator (GASB 94) – reported by major class of asset
 - Subscription assets (GASB 96)
 - Intangible assets, by major class of asset



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45

GASB 104 – Disclosure of Certain Capital Assets

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Capital Assets Held for Sale Example Disclosure

- Included in capital assets are buildings that are capital assets held for sale. Those buildings are reported in governmental activities. They have a total historical cost of \$8.0 million and an accumulated depreciation of \$5.0 million, and they are pledged as collateral for debt with a balance of \$1.5 million.



49

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50

Questions?



51

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52

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53
