



# **GASB Update 2023 ICCCF0 Fall Conference October 12, 2023**

# TODAY'S PRESENTER

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# EFFECTIVE **DATES**

- **June 30: Fiscal Year 2023**

- Statement 91- conduit debt
- Statement 94 – public-private partnerships
- Statement 96 - SBITAs
- Statement 99 – omnibus 2022 (leases, PPPs, and SBITAs)
- IC 2020-1 – update (4.6-4.17 and 4.19-4.21)
- IC 2021-1 – update (4.1-4.21, 4.23, 5.2, and 5.4)

- **June 30: Fiscal Year 2024**

- Statement 99 – omnibus 2022 (financial guarantees and classification of derivatives)
- Statement 100 – accounting changes and error corrections
- IC 2021-1 – update (5.1)
- IC 2023-1 – update

- **June 30: Fiscal Year 2025**

- Statement 101 – compensated absences

A blurred photograph of a crowd of people walking in a modern, brightly lit interior space, possibly a transit hub or office lobby. The background features a wall with a grid pattern and circular ventilation holes. The image is split vertically, with the left side having a teal overlay and the right side being white. A dark blue horizontal band is overlaid across the middle of the image, containing the title text.

# OVERVIEW OF GASB S-101

# GASB 101

- Objectives:
  - Enhance the recognition and measurement guidance for compensated absences
  - Refine the disclosure requirements
- Effective Date: Periods beginning after December 15, 2023 (years ending December 31, 2024, and thereafter)

## GASB 101: DEFINITION

- A *compensated absence* is (a) leave that employees use for time off with pay, (b) leave for which employees receive payment upon termination of employment, or (c) leave for which employees receive settlement through other means, such as conversion to postemployment benefits. Compensated absences generally do not have a set payment schedule. Examples of compensated absences include vacation leave, sick leave, paid time off (PTO), holidays, parental leave, bereavement leave, and certain types of sabbatical leave.

## GASB **101** (CONTINUED)

- The pronouncement outlines when an amount would be required to be reported as a compensated absence:
  1. Does the absence accumulate?
  2. Is it more likely than not to be either paid or settled through other means?
  3. Is the absence attributable to services rendered?



# GASB 101: MEASUREMENT

Calculation
Accumulated Leave (that meets established criteria)
X
Employee's pay rate*
=
Compensated Absences

# GASB 101: REPORTING/**DISCLOSURE REQUIREMENTS**

- Net change
- Eliminates disclosure of which governmental funds have liquidated the liability

# GASB 101: RECOGNITION **AND MEASUREMENT**

- A liability for compensated absences should be recognized in financial statements prepared using the economic resources measurement focus if
  - the absence accumulates (see paragraph 8),
  - the absence is attributable to services rendered (see paragraph 9), and
  - the absence is more likely than not to be either paid or settled through other means.

# GASB 101: RECOGNITION **AND MEASUREMENT**

## *(CONTINUED)*

- An absence that accumulates is one that can be carried forward from the reporting period in which it is earned to a future reporting period when it will be paid or settled. For example, an employee who does not use all the vacation time earned in one year may have the ability to use it in the next year. In contrast, paid holidays that are linked to a specific date often are required to be used when the holiday occurs.
- An absence that is attributable to services rendered is one for which an employee already has performed the services required to earn the absence.

# GASB 101: RECOGNITION **AND MEASUREMENT**

## *(CONTINUED)*

- Estimating whether an absence is more likely than not to be paid or settled is accomplished by reviewing relevant factors, including:
  - Employment policies related to compensated absences (may differ by class of employee)
  - Whether benefits (for which services have been rendered) will become eligible for payment in the future

# GASB 101: RECOGNITION **AND MEASUREMENT** (*CONTINUED*)

- Estimating whether an absence is more likely than not to be paid or settled is accomplished by reviewing relevant factors, including:
  - Historical precedent on payment
  - Information known to the government that would indicate historical information may not be representative

# GASB 101: RECOGNITION **AND MEASUREMENT** (*CONTINUED*)

- Rate of Pay
  - Changes recognized in period of change
  - Use rate that the accumulated leave will be calculated with (i.e. 50% of pay rate for sick time)

# SALARY-RELATED PAYMENTS - **SABBATICAL**

- Sabbatical leave meets the criteria for recognition as a compensated absence liability if an 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. Unrestricted sabbatical leave also accumulates (see paragraph 8) when there is a minimum service period. For example, if seven years of service is required to be eligible for unrestricted sabbatical leave, that leave accumulates over seven years.
- In evaluating whether unrestricted sabbatical leave is more likely than not to be paid, a government should consider the likelihood that an employee will remain employed with the government long enough to become eligible to use the leave and the likelihood that the unrestricted sabbatical leave will be used.



# GASB 101: **MEASUREMENT FOCUS**

- The amount of compensated absences recognized as expenditures in financial statements prepared using the current financial resources measurement focus should be the amount that normally would be liquidated with expendable available financial resources.
- Compensated absences liabilities normally are liquidated with expendable available financial resources, and a governmental fund liability and expenditure should be recognized, as payments come due each period upon the occurrence of relevant events such as employee resignations and retirements.
- The compensated absences liability in financial statements prepared using the current financial resources measurement focus should be measured using the same pay rate as the liability recognized in financial statements prepared using the economic resources measurement focus.

# GASB 101: **IMPLEMENTATION**

- Retroactive implementation (if practicable) for all prior periods presented
  - Disclose if not practicable

# EXAMPLE: **NEW GUIDANCE**

- I. Compensated Absences
  - The Village implemented GASB Statement 101, *Compensated Absences* in 2022. Village policy permits employees to accumulate earned but unused leave including sick leave, vacation, compensatory time, and holiday leave (Police only). The entire balance of vacation, compensatory, and holiday leave are recognized as a liability at year end. Sick leave is recognized as a liability if it is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.
  - The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

# EXAMPLE: NEW GUIDANCE (CONTINUED)

## f. Summary of Changes in Long-Term Liabilities

	Beginning Balances, as Restated	Additions	Reductions	Ending Balances	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
General obligation bonds	\$ 34,640,000	\$ -	\$ 5,205,000	\$ 29,435,000	\$ 2,445,000
TIF notes	45,682	-	14,000	31,682	-
Claims payable	1,007,660	464,460	667,125	804,995	-
Net pension liability*	79,638,617	56,522,571	-	136,161,188	-
Total OPEB liability*	14,114,847	1,276,241	5,028,871	10,362,217	497,814
Compensated absences**	2,202,410	-	71,825	2,130,585	426,119
<b>Total</b>	<b>131,649,216</b>	<b>58,263,272</b>	<b>10,986,821</b>	<b>178,925,667</b>	<b>3,368,933</b>
<b>Less deferred amounts</b>					
Unamortized bond discount	(10,040)	-	(4,960)	(5,080)	-
Unamortized bond premium	1,794,754	-	214,360	1,580,394	-
<b>Total deferred amounts</b>	<b>1,784,714</b>	<b>-</b>	<b>209,400</b>	<b>1,575,314</b>	<b>-</b>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$133,433,930</b>	<b>\$ 58,263,272</b>	<b>\$ 11,196,221</b>	<b>\$180,500,981</b>	<b>\$ 3,368,933</b>

\* The General Fund has typically been used to liquidate these liabilities.

\*\* The amount displayed as additions or reductions represents the net change in the liability.

# EXAMPLE: **NEW GUIDANCE** (CONTINUED)

## 16. CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2022, the Village implemented GASB Statement No. 101, *Compensated Absences*. For the implementation, the beginning net position has been restated, as follows.

<i>ENTITY-WIDE STATEMENTS</i>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net position, January 1 - as previously reported	\$ 130,309,734	\$ 73,866,956
Change in Accounting Principle - GASB 101	<u>(624,505)</u>	<u>(26,720)</u>
Net position, January 1 - as restated	<u>\$ 129,685,229</u>	<u>\$ 73,840,236</u>

# GASB 101: Illustrations

Paid time off (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

# GASB 101: Illustrations

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 101: Illustrations

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 101: Illustrations

Sick leave that is earned each month, does not carry over at the end of each calendar year, and is not paid upon termination of employment.

# GASB 101: Illustrations

Vacation leave that is made available on the first day of the fiscal year (or at inception of employment) and added to the employee's time bank, is not reconciled if an employee terminates during the year, carries over at the end of the fiscal year without limits, and is paid upon termination of employment.

# GASB 101: Illustrations

Compensatory time that is allotted as employees work overtime and carries over at the end of the fiscal year. Per state statute, unused compensatory time is not forfeited and is required to be paid upon termination of employment.

# GASB 101: Illustrations

Parental Leave

Military Leave

Jury Duty

THANK YOU

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