

Rock Hard (Compensated) Abs

A Look at GASB 101, Compensated Absences



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Workout of the Day



Warmup



A look at GASB's
Timeline



Core



Recognition and
Measurement
Changes under
GASB 101,
Compensated
Absences



Obliques



Example Scenarios



Visualization



What do you need
to be doing now?



Questions







Warmup - A Look at GASB's Timeline



GASB Pronouncements

| Year End | For fiscal years ending | |
|----------|--|---|
| | June 30 or September 30 | December 31 |
| 2023 | 91 - Conduit Debt | 94 - P3s and APAs |
| | 94 - P3s and APAs | 96 - SBITAs |
| | 96 - SBITAs | 99 - Omnibus (¶11-25) |
| | 99 - Omnibus (¶11-25) | |
| 2024 | 99 - Omnibus (¶4-10) | 99 - Omnibus (¶4-10) |
| | 100 - Accounting Changes | 100 - Accounting Changes |
| | | 101 - Compensated Absences  |
| 2025 | 101 - Compensated Absences  | 102 - Certain Risk Disclosures |
| | 102 - Certain Risk Disclosures | |



Other GASB Activities

Project

Financial reporting Model
Classification of Nonfinancial Assets
Subsequent Events
Infrastructure Assets
Revenue and Expense Recognition
Going Concern Uncertainties and Severe Financial Stress

Pre-Agenda Research

GAAP Structure
GAAP Conformity

Monitoring

AICPA Auditing Standards
Digital Assets
Electronic Financial Reporting
Environmental Credits
Environmental, Social, and Governance (ESG) Reporting
Emerging Accounting Issues
SBITA Implementation

Projected Issuance Date

April 2024
June 2024
December 2025
February 2027
June 2027
June 2027

Post-Implementation Review

Fair Value - Statement 72
Fiduciary Activities - Statement 84
Leases - Statement 87
Other Postemployment Benefits - Statement 75
Pensions - Statements 67 and 68



How do you stay on top of and implement new GASB standards?

- A. We figure it out when dealing with the audit
- B. We assign a team member responsible for tracking new standards and leading implementation
- C. We partner with a professional services firm to assist in implementation





Core - Updated Recognition, Measurement and Disclosure Guidance for Compensated Absences



How much time have you spent analyzing how GASB 101 will impact your government?

- A. Haha, that's funny
- B. 1-2 hours
- C. 3-8 hours
- D. 8+ hours

Compensated Absence Defined

Leave for which employees may receive one or more:

- ▶ 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 DB postemployment benefits



Compensated Absence Defined (cont.)

Examples of compensated absences include:

- Vacation
- Sick leave
- Paid time off (PTO)
- Holidays
- Parental leave
- Bereavement leave
- Certain types of sabbatical leave



Compensated Absences Defined (cont.)

Compensated Absences do not include:

- ▶ Sabbatical leave during which an employee is required to perform duties of a different nature for the government
- ▶ Termination benefits (Statement 47 still applies)



Recognition Criteria



Attributable to services rendered

Employee has
performed
services to
earn leave

Accumulates

Carried
forward to
future
reporting
periods

More Likely Than Not

(Greater than
50%) to be
used/paid

More to come
on this...

Exceptions

- ▶ Leave that is settled through conversion to defined benefit postemployment benefits (already included in pension or OPEB liabilities)
- ▶ Leave that is dependent upon sporadic events that affects a relatively small proportion of employees. Liability should not be recognized until leave commences
 - Parental leave
 - Military leave
 - Jury duty



Exceptions

- ▶ Unlimited leave – not recognized until used
- ▶ Holiday leave – not recognized until used



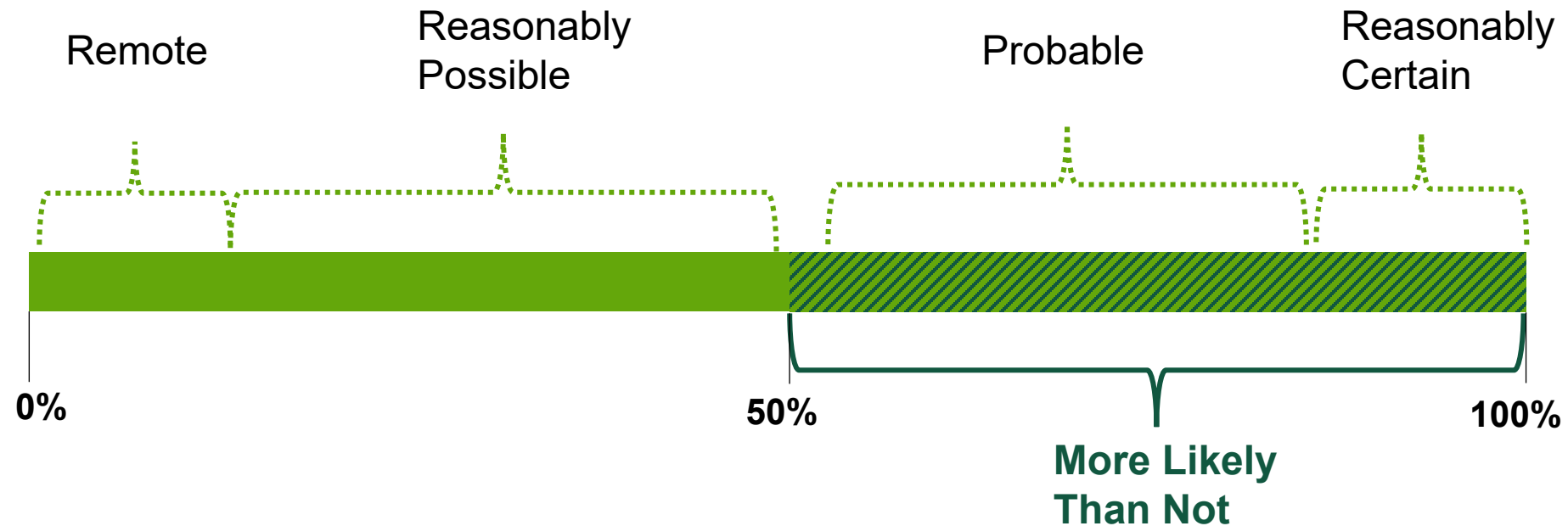
More Likely Than Not?

Criteria to consider

1. **Employment Policies**
2. **Eligible for use or future payment?**
3. **Historical use/payment of leave**
4. **Are historical trends representative of current reality?**



Where Does “More Likely Than Not” Fall?



Measurement Criteria

- ▶ Use the rate of pay in effect as of the balance sheet date when calculating the liability
- ▶ Exception: When a compensated absence arrangement calls for a different rate of pay at the time of payment
- ▶ Don't estimate future pay, rather meant for when stated adjustments to payment amount, i.e. 50%, are referenced in the arrangement



Measurement Criteria

- ▶ Pooled Leave: Use estimated pay rate that is representative of the eligible employee population.
- ▶ Salary-Related Payments
 - Directly associated
 - Incrementally associated
 - Examples include Social Security and Medicare Taxes
 - Does **not** include salary-related payments related to defined benefit pension or OPEB plans



Disclosures

Please tell me this is good news!



Disclosures

- ▶ No new disclosures
- ▶ On Long Term Liability rollforward, may net increases or decrease (should indicate that it is a net amount)
- ▶ Not required to disclose the government fund typically used to liquidate compensated absences.



Updated Note Disclosure Presentation

Illustration 3—Note Disclosure—Net Change in the Liability

COUNTY OF KLAUS
 NOTE X—DETAIL NOTES ON ALL FUNDS
 LONG-TERM DEBT
 Long-Term Liability Activity

| | <u>Beginning Balances</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balances</u> | <u>Amounts Due within One Year</u> |
|--|-------------------------------|---------------------|-----------------------|----------------------------|--|
| Governmental Activities | | | | | |
| Bonds and Notes Payable: | | | | | |
| General Obligation Bonds | \$ 9,520,000 | \$ 1,201,000 | \$ (600,350) | \$ 10,120,650 | \$ 817,200 |
| Notes Payable | 945,600 | 75,000 | (115,000) | 905,600 | 116,500 |
| Total Bonds and Notes Payable | <u>10,465,600</u> | <u>1,276,000</u> | <u>(715,350)</u> | <u>11,026,250</u> | <u>933,700</u> |
| Other Liabilities: | | | | | |
| Compensated Absences | 310,430 | 143,545* | - | 453,975 | 382,673 |
| Other Obligations | 40,820 | - | - | 40,820 | - |
| Total Other Liabilities | <u>351,250</u> | <u>143,545</u> | <u>-</u> | <u>494,795</u> | <u>382,673</u> |
| Governmental Activities Long-Term Liabilities | <u>\$ 10,816,850</u> | <u>\$ 1,419,545</u> | <u>\$ (715,350)</u> | <u>\$ 11,521,045</u> | <u>\$ 1,316,373</u> |
| Business-Type Activities | | | | | |
| Bonds and Notes Payable: | | | | | |
| General Obligation Bonds | \$ 12,275,600 | \$ 890,000 | \$ (1,100,700) | \$ 12,064,900 | \$ 988,700 |
| Sales Tax-Backed Bonds | 6,670,000 | - | (810,000) | 5,860,000 | 635,000 |
| Total Bonds and Notes Payable | <u>18,945,600</u> | <u>890,000</u> | <u>(1,910,700)</u> | <u>17,924,900</u> | <u>1,623,700</u> |
| Other Liabilities: | | | | | |
| Compensated Absences | 56,710 | - | (24,985)* | 31,725 | 19,570 |
| Developer Agreements | 1,920,909 | 87,220 | (64,932) | 1,943,197 | - |
| Other Obligations | 37,503 | - | - | 37,503 | - |
| Total Other Liabilities | <u>2,015,122</u> | <u>87,220</u> | <u>(89,917)</u> | <u>2,012,425</u> | <u>19,570</u> |
| Business-Type Activities Long-Term Liabilities | <u>\$ 20,960,722</u> | <u>\$ 977,220</u> | <u>\$ (2,000,617)</u> | <u>\$ 19,937,325</u> | <u>\$ 1,643,270</u> |

*The change in the compensated absences liability is presented as a net change.





Obliques – Example Compensated Absence Scenarios





City of Benefit

- ▶ City of Benefit pays out all vacation leave upon termination. It does not get paid out into a defined benefit plan. The Accounts Payable Specialist had 50 hours of vacation leave accrued as of their year end September 30, 2027.
- ▶ His salary was \$20/hour at October 1, 2026. He received a raise to \$25/hour on October 1, 2027. He is also due another raise to \$39/hour at October 1, 2028.
- ▶ What would be the compensated absence liability for this employee's vacation leave?



City of Benefit - Answer

- ▶ Salary at reporting date x number of hours accrued = compensated absence liability
- ▶ $50 \times \$20 = \$1,000$ compensated absence liability





City of Benefit – Part 2

- ▶ The same Accounts Payable Specialist is also eligible for parental leave of 200 hours. He is recently married and they plan to have children in the next year or two.
- ▶ What is the compensated absence liability for parental leave as of September 30, 2027?



City of Benefit – Part 2 Answer

- ▶ Parental leave is dependent upon sporadic events that affects a relatively small proportion of employees. Liability should not be recognized until leave commences.
- ▶ \$0 compensated absence liability



Town of Termination

- ▶ ToT policy states it will pay 25% of sick leave upon termination up to 240 hours. The Controller has 300 hours of sick leave at fiscal year end.
- ▶ What is the fewest amount of hours that should be accrued as a compensated absence for this employee?
- ▶ What factors would you consider to determine if additional sick leave should be accrued?



Town of Termination - Answer

- ▶ Fewest hours is amount guaranteed to be used or converted to cash
- ▶ $25\% \times 240 = 60$ hours
- ▶ Between 60 and 300 hours is a matter of professional judgment using these factors:
 1. Employment Policies
 2. Eligible for use or future payment?
 3. Historical use/payment of leave
 4. Are historical trends representative of current reality?



City of Poolsville

- ▶ City of Poolsville has a shared employee leave pool for their employees. City employees are very generous and have donated 1,000 hours to the pool as of 9/30/2025.
- ▶ 1/3 of Poolsville's employees are paid \$35/hour, 1/3 are paid \$45/hour, and 1/3 are executives being paid \$55/hour. The executives contribute but are not eligible for the leave pool.
- ▶ What is the compensated absence liability at 9/30/2025 for the City?



City of Poolsville - Answer

- ▶ $50\% \times \$35 + 50\% \times \$45 = \$40/\text{hour}$ average
- ▶ $\$40 \times 1,000 = \$40,000$
compensated absence liability for the shared employee leave pool

What do you perceive will be the hardest part of implementing GASB 101 for your government?

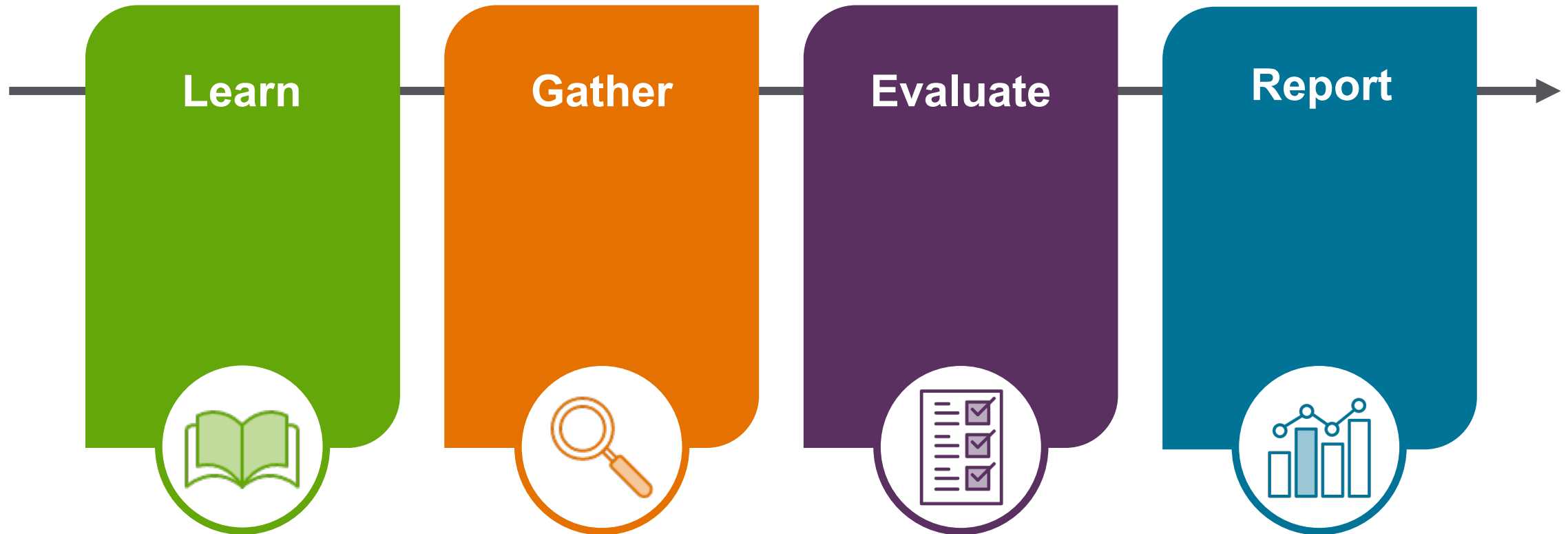
- A. Identifying all of our compensated absences
- B. Categorizing our compensated absences based on the different types of accounting treatments in GASB 101
- C. The “more likely than not” evaluation
- D. Seems easy after leases, P3’s and SBITAs



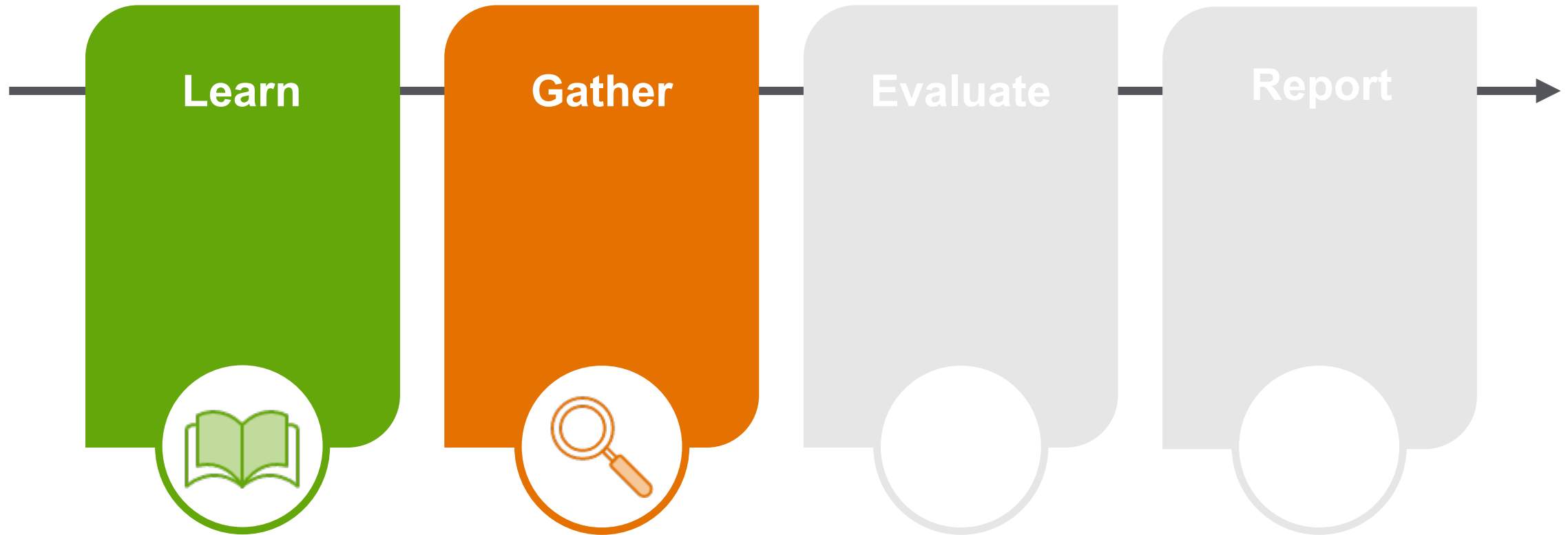
Visualization – What should I be doing now?



Cherry Bekaert Implementation Methodology



Cherry Bekaert Implementation Methodology



Cherry Bekaert Implementation Methodology

Learn



- ▶ This training
- ▶ GFOA National Conference
- ▶ GFOA website and examples
- ▶ Peer forums
- ▶ Early adopters
- ▶ December 31 year ends

Cherry Bekaert Implementation Methodology

Gather



- ▶ Identify the compensated absences your government provides
 - ▶ Categorize them into buckets
 - Not all compensated absences will need to go through the attributable, accumulation, and more likely to be paid/used test
- * When gathering, pay special attention to sick and sabbatical leave and try to train yourself to remove the idea of vesting as the sole criteria

GASB 101 Buckets Checklist

A Takeaway to Assist with Implementation





CHECKLIST:

GASB Statement 101 Buckets

The types of leave governments offer to their employees has significantly expanded in the last two decades. Governmental Accounting Standards Board (GASB) Statement No. 101 provides guidance for these new types of leave provided by governments. Below are some common leave types, their description and how to evaluate them under GASB 101, Compensated Absences.

| Applicable | Type of Leave & Description | Comp. Absence Liability Recognition |
|------------|---|--|
| | PTO (Set Number of Hours or Days): A period of time that an employee is paid while taking leave from work. A set amount of hours or days are allocated for each employee every reporting period. | Recognize a liability when the leave is earned and available, accumulates, and is more likely than not to be used for time off or paid in cash or settled through noncash means. |
| | Sick: Time off for employees to address their health needs. | Recognize a liability when the leave is earned and available to the employee, accumulates and is more likely than not to be used for time off or otherwise paid in cash or settled through non-cash means. |
| | Sabbatical (Unrestricted): Extended periods of time off. Employees is not required to perform any duties while away. | Recognize a liability when the leave is earned and available to the employee, accumulates and is more likely than not to be used for time off or otherwise paid in cash or settled through non-cash means. |
| | Time Off in Lieu (TOIL)/Compensatory Time: Overtime hours worked can be taken as extra leave time instead of the employee receiving additional pay. | Recognize a liability when the leave is earned and available to the employee, accumulates and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. |
| | Floating Holidays: Time off that is sometimes substituted for a public holiday. Employees can use at their discretion. | Recognize a liability when the leave is earned and available to the employee, accumulates and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. |
| | Holiday Leave: Leave for public, national and religious holidays. Not at the employer's discretion. | Recognize a liability when the leave is used. |
| | PTO (Unlimited): A period of time where an employee is paid while taking leave from work. An unlimited amount of hours or days are allowed for each employee every reporting period. | Recognize a liability when the leave is used. |
| | Workers Compensation: Provides benefits to employees who are injured or become ill as a result of their work. | Recognize a liability when the leave commences. |
| | Court: Approved absence for an individual to appear in court. Court leave is typically paid. | Recognize a liability when the leave commences. |
| | Bereavement: Leave to attend a funeral or grave a death of a relative or close friend. Typically paid. | Recognize a liability when the leave commences. |
| | Parental Leave or Adoption for Foster Care: Includes time for birth and care of employee's child. Adoption or foster leave offers typically offers the same opportunity and is sometimes included in parental leave. | Recognize a liability when the leave commences. |
| | Military (Reserve/National Guard Training): Military leave for the Reserves or United States National Guard is a type of job-protected leave that allows eligible employees who are members of the military reserves or national guard to take time off from work for military duty. | Recognize a liability when the leave commences. |

*Want a copy?
Stick around or stop
by Cherry Bekaert's
booth!*





Questions?



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- ▶ New GASB Standards Implementation
- ▶ Financial Statement Closing Assistance
- ▶ Financial Statement Audit Preparation
- ▶ Single Audit Preparation
- ▶ Accounting Remediation & Support
- ▶ Financial Statement Preparation
- ▶ Training & Continuing Professional Education
- ▶ Financial & Single Audit Finding Remediation
- ▶ Enterprise Resource Planning (ERP) Implementation Remediation
- ▶ Chart of Accounts Development

Cherry Bekaert's GASB-as-a-Service offering can help your organization experiencing:

- ▶ Inability To Fill Open Staff Positions
- ▶ Need To Speed up Financial Statement Insurance Timeline
- ▶ Recent Retirement of Individual(s) With Technical or Institutional Knowledge
- ▶ No Capacity for New GASB Standards Implementation
- ▶ Increase in Reporting & Compliance Requirements Due to Additional Federal Awards
- ▶ Missed Audit Regulatory Deadlines
- ▶ Recent ERP Implementation Challenges
- ▶ Need for Audit Findings Remediation

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