



mgo. | GASB Update

Presented by David Bullock

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Your Instructor



David Bullock

SLG Industry Leader
Partner

Agenda

For fiscal year ending June 30, 2025,
and beyond.



Learning Objectives

By the end of this course, you should be able to:

- Recall key aspects of the accounting and reporting requirements introduced in upcoming GASB statements.
- Identify the timing of when the upcoming GASB statements will be applicable to your organization.
- Describe GASB's current projects and new standards that will be issued in the near future.



Recent GASB Statements

No.	Title	Issued	Effective for Periods Beginning After	For FYE 6/30 Organizations
101	Compensated Absences	June 2022	December 15, 2023	FY 2024/25
102	Certain Risk Disclosures	December 2023	June 15, 2024	FY 2024/25
103	Financial Reporting Model Improvements	May 2024	June 15, 2025	FY 2025/26
104	Disclosure of Certain Capital Assets	September 2024	June 15, 2025	FY 2025/26

01 GASB 101: Compensated Absences

Scope

Compensated absences and associated salary-related payments



This statement establishes standards of accounting and financial reporting for the following.

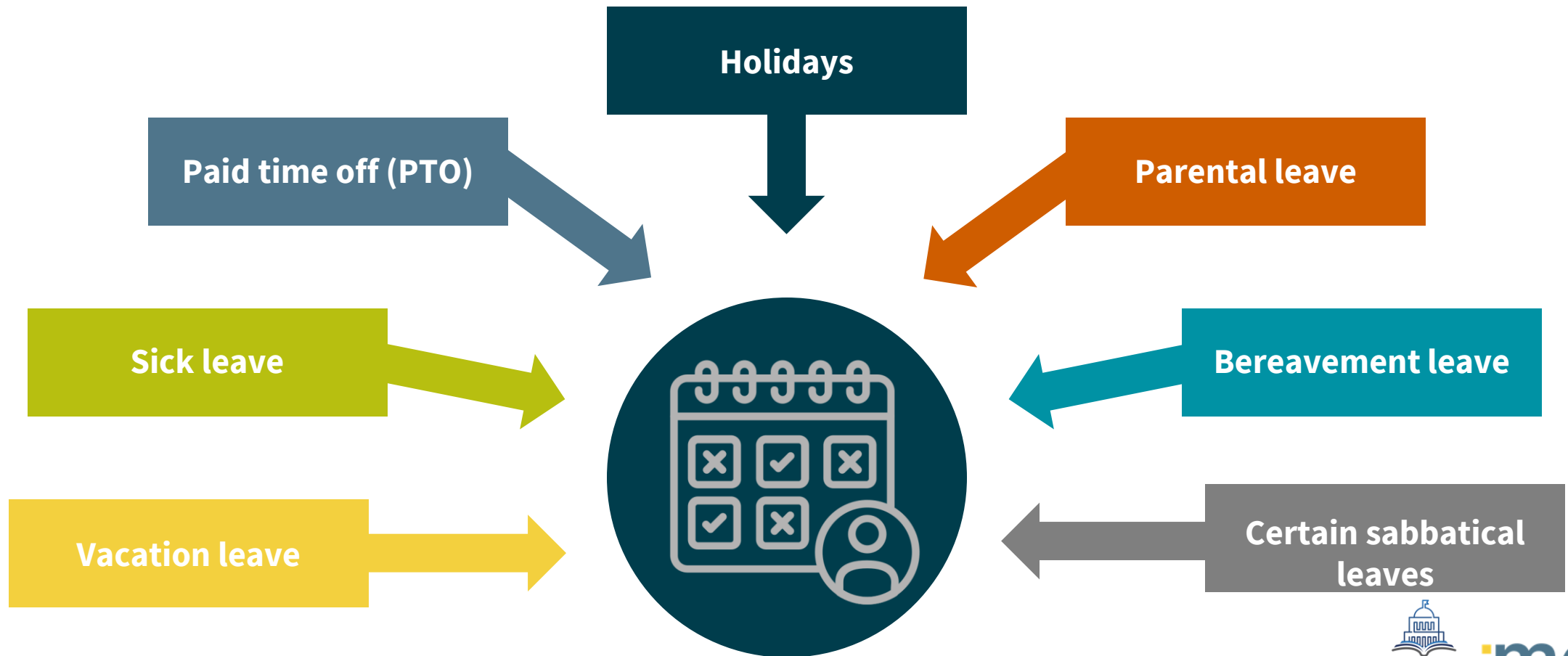
- Compensated absences
- Associated salary-related payments, including certain defined contribution pensions and defined contribution other post-employment benefits (OPEB)



Compensated absence is leave for which employees may receive one or more of the following.

- 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 post-employment benefits

Examples of Compensated Absences



Recognition

Liabilities for compensated absences should be recognized in financial statements prepared using economic resources measurement focus for both of the following.

- Leave that has not been used, and
- Leave that has been used but not yet paid or settled.

Those liabilities are not required to be aggregated for display in the basic financial statements.

Applicable salary-related payments should be included in the measurement of those liabilities.



Unused Leave to be Included

Liability should be recognized for leave that has not been used if all of the following are true.



Leave is attributable to services already rendered.

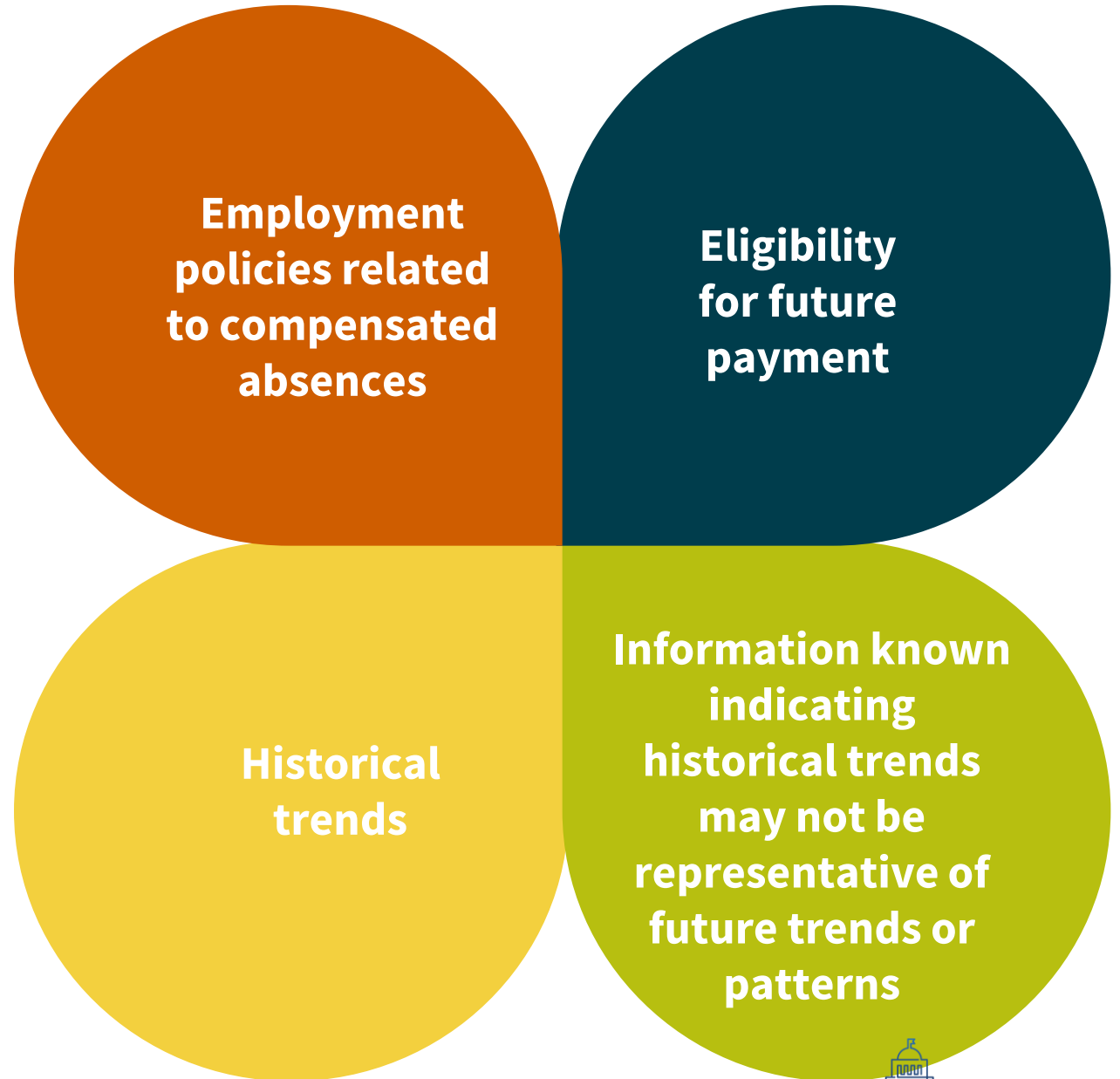


Leave accumulates.



Leave is more likely than not to be used for time off or otherwise paid in cash. This includes being settled through noncash means.

Relevant Factors for More Likely Than Not to be Used



Unused Leave to be Excluded



Measurement

Liability for leave to be included should be measured using **employee's rate of pay as of date of financial statements**, unless one of the following criteria is met.

- If some or all of leave is more likely than not to be paid at rate different from employee's pay rate at time payment is made, a government should measure portion of liability using different rate as of date of financial statements. For example, only 50% of unused hours are paid upon termination, or there is a maximum number of hours to be paid out.
- If leave is not attributable to specific employee as of date of financial statements — such as if leave has been donated to shared employee leave pool — a government should measure liability using estimated pay rate representative of eligible employee population.
- If some or all of leave is more likely than not to be settled through noncash means other than conversion to defined benefit post-employment benefits, a government should measure liability based on amount for which it is more likely than not to be settled.

Changes to measurements of liability in future periods due to change in pay rate should be recognized in period of change.

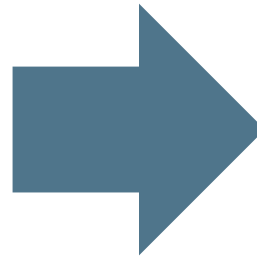
Measurement

For leave that has been used:

1

Reporting

Liability should be reported when leave is used for time off but has not yet been paid in cash or settled through noncash means. This includes unlimited and holiday leave not at discretion of employees.



2

Measurement

Liability, including any applicable salary related payments, should be measured at amount of cash payment or noncash settlement to be made for use of leave.

Salary-Related Payments

Salary-related payments are obligations that a government incurs related to providing leave in exchange for services rendered, for example, employer share of Social Security and Medicare taxes.

A government should include in measurement of liabilities for compensated absences salary-related payments directly and incrementally associated with leave.

- Payment is directly associated if amount of payment is function of salary to be paid.
- Payment is incrementally associated if a government makes payment in addition to payment for salary.

For leave that has not been used, expense for salary-related payments related to defined contribution pensions or defined contribution OPEB should be recognized when liability for that leave is recognized. It should also be reported as pension or OPEB expense, as applicable.

Relationship to Postemployment Benefits

Projected effects on an employer's defined benefit post-employment benefits liability resulting from payment for compensated absences **should not be included in the liability for compensated absences.**

Some governments allow or require compensated absences — often sick leave — to be paid to employee upon termination of employment through distribution to an individual account (instead of directly to employee) to be used for specific purposes, such as payment of employee's share of future healthcare premiums.

Leave that

1. has not been used,
2. meets recognition criteria in paragraph 9, and
3. is more than likely not to be paid in this manner,

should be included in liability for compensated absences following general measurement provisions in paragraphs 16 and 17.

Governmental Funds

Reporting

Liability for compensated absences should be accounted for and reported on a basis consistent with government fund accounting principles.



Modified Accrual

Amount of compensation absences recognized as expenditures in financial statements prepared using current financial resources measurement focus should be amount that normally would be liquidated with expendable available financial resources.

Note Disclosures

For the purpose of long-term liabilities disclosure for its compensated absences liability, a government should present either of the following:

1. Separate increases and decreases, or
2. Net increase or net decrease.

Note: Government presenting net increase or net decrease should indicate that it is a net amount.

GASB Statement 34, paragraphs 119b and 119d are **no longer required**, which are:

- 119b, increases and decreases are presented separately.
- 119d, which governmental funds typically have been used to liquidate other long-term liabilities, such as compensated absences and pension liabilities.

02 GASB 102: Certain Risk Disclosures

Concentrations

A concentration is a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources.

Examples include, but are not limited to, the composition of any of the following.



Constraints

What a constraint is



**Constraint
Definition**

A limitation imposed by an external party
or by formal action of government's
highest level of decision-making authority

Examples

- Limitations on raising revenue
- Limitations on spending
- Limitations on incurrence of debt
- Mandated spending

Disclosure Criteria

Government should make certain disclosures in notes if all the following criteria are met.

- Concentration or constraint is known to government prior to issuance of financial statements.
- Concentration or constraint makes reporting unit vulnerable to risk of substantial impact.
- Event or events associated with concentration or constraint that could cause substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

Disclosure criteria should be assessed for primary government reporting unit and all other reporting units reporting a liability for revenue debt.

If mitigating actions taken by government prior to issuance of the financial statements cause any disclosure criteria to not be met, none of the note disclosures required by this statement are required.

Disclosure Principles

Following general principles should be considered if disclosures are applicable

1

Current Period

If comparative financial statements are presented, reporting requirements only apply to financial statements of the current period.

3

Reporting Units

Information should be provided for reporting units for which all disclosure criteria discussed above are met. Information that is same for more than one reporting unit should be combined in a manner avoiding unnecessary duplication.

2

Avoid Duplication

Certain disclosures required by this statement may supplement note disclosures required by other authoritative guidance. In those circumstances, information required to be disclosed by statement should be combined with those note disclosures in a manner avoiding unnecessary duplication.

4

Discretely Presented Component Units

Disclosure information is subject to requirements in paragraph 63 of Statement No. 14, *The Financial Reporting Entity*, as amended.

Disclosures in Notes to Financial Statements

For each concentration or constraint meeting all criteria previously discussed, governments should disclose the following in notes to financial statements.

- Concentration or constraint.
- Each event associated with concentration or constraint that could cause substantial impact if the event had occurred or had begun to occur prior to issuance of financial statements.
- Actions taken by government prior to issuance of financial statements to mitigate the risk.

A government should provide information in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact associated with the concentration or constraint.

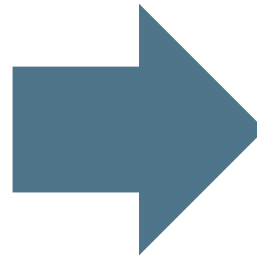
03 GASB 103: Financial Reporting Model Improvements

Scope

1

Big Changes

- Management's Discussion and Analysis (MD&A)
- Presentation of proprietary fund statement of flows
- Budgetary comparison information



2

Other Changes

- Unusual or infrequent items
- Information about major component units in BFS
- Financial trends information in statistical section for BTAs

Notable exclusion from exposure draft: No change to basis of accounting or measurement focus of governmental funds financial statements

General MD&A Requirements

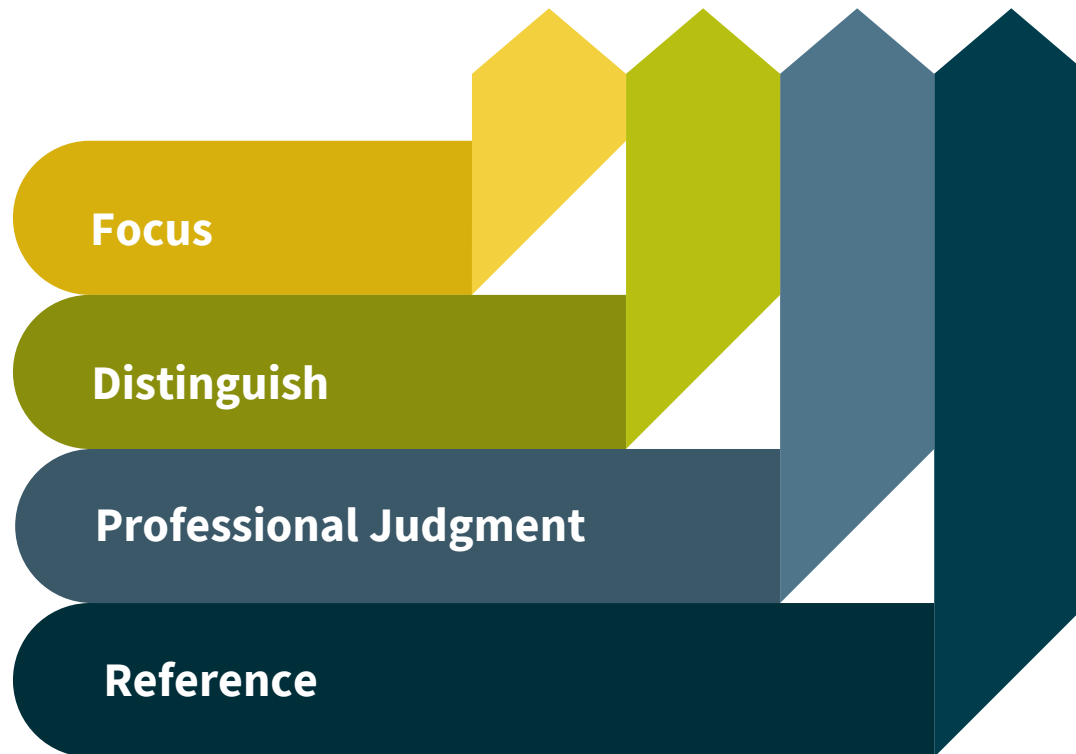
- Precedes basis financial statements and is considered RSI
- Objective and easily readable analysis
- Based on currently known facts, decisions, or conditions (information management is aware of as of date financial statements are issued)
- Financial managers are knowledgeable about the government, including transactions, events, fiscal policies, and conditions or results of operations
- Opportunity to present long and short-term analyses of activities (don't duplicate transmittal letter)
- Written in a manner that can be understood by users who may not have detailed knowledge of governmental accounting and financial reporting
- Includes explanations and interpretations helping users understand information provided

General MD&A Requirements

- Discuss current-year balances and results of operations in comparison with prior years, with emphasis on current year.
- Fact based and should discuss activities that have had either a significant positive impact or a significant negative impact in comparison with prior year.
- Assist users in understanding why balances and results of operations reported in current year's financial statements changed from prior year rather than simply presenting amounts or percentages by which they were charged.
- Charts, graphs, and tables are encouraged to enhance the understandability of the information.
- If possible, analysis in MD&A should avoid unnecessary duplication.
- Certain explanations may be relevant to the discussion in multiple sections of MD&A.
 - Those explanations may be repeated after they have been presented initially, but that is not required.
 - Determining whether to repeat explanations within multiple sections of MD&A is a matter of professional judgment.

General MD&A Requirements

Four more general MD&A requirements



- Focus on primary government.
- Distinguish between primary government and its discretely presented component units.
- Determining whether to discuss matters related to a discretely presented component unit is a matter of professional judgment and should be based on the nature and significance of individual component unit's relationship to primary government.
- If appropriate, reporting entity's MD&A should refer users to component units separately issued financial statements.

MD&A Requirements: Paragraph 8

Requirements are discussed in general rather than specific terms to emphasize financial managers should include explanations most relevant to information presented each year and should avoid **boilerplate** discussions.

Information presented should be confined to topics discussed in the following five sections.

1. Overview of the Financial Statements
2. Financial Summary
3. Detailed Analyses
4. Significant Capital Asset and Long-Term Financing Activity
5. Currently Known Facts, Decisions, or Conditions

Notable exclusions from new MD&A requirements include the following.

- Budgetary information
- Information on modified approach to capital assets

Proprietary Funds

Presentation of proprietary fund statement of revenues, expenses, and changes in fund net position

- Distinguish between operating and nonoperating revenues and expenses, as well as separately report noncapital subsidies, a type of nonoperating revenue and expense.

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

Proprietary Funds

Definition of operating revenues and expenses and of nonoperating revenues and expenses

- 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 disposal of capital assets and inventory
 - Investment income and expenses
- Revenues or expenses that otherwise would be classified as nonoperating in most proprietary fund financial statements should be classified as operating revenues or operating expenses if those transactions constitute proprietary fund's **principal ongoing operations**.
 - For example, interest revenues should be reported as operating revenues by a proprietary fund established to provide loans to first-time homeowners.

Proprietary Funds

Definition of subsidies

- Resources received from another party or fund.
 - For which the proprietary fund does not provide goods and services to the other party or fund, and
 - That directly or indirectly keep 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 does not provide goods and services to the proprietary funds, and
 - That are recoverable through the proprietary fund's current or future pricing policies.
- All other transfers.

Budgetary Comparison Information

- Budgetary comparison schedules should be presented as RSI — **no longer optional to present in basic financial statements** — for the general fund and each major special revenue fund that has a legally adopted annual budget.
- Separate columns for variances between
 - Original and final budget amounts which is new.
 - Final budget amounts and actual results.
- An explanation of significant variances between **original and final budget** amounts and between **final budget amounts and actual results** also required to be presented in notes to RSI, not MD&A.

Unusual or Infrequent Items and in Occurrence

- Unchanged definition. Still use GASB 62.
- Present inflows and outflows related to unusual or infrequent items individually as the last presented flow(s) of resources prior to the net change.
- Inflows and outflows related to each unusual or infrequent item should be presented separately and not netted on financial statements.
- Disclose in notes to financial statements the program, function, or identifiable activity to which an unusual or infrequent item is related, if applicable, and whether item is within control of management.

Major Component Units

Information about major component units in basic financial statements

Basic Financial Statements (BFS)

In basic financial statements, governments should present each major component unit separately in reporting entity's statements of net position and activities if it does not reduce readability of statements.

Combining Statements

If presenting each major component unit separately reduces readability of statements, combining statements of major component units should be included in reporting entity's basic financial statements after the fund financial statements.

Statistical Section for BTA ACFRs

Information about changes in net position.

- In the statistical section of separately issued financial reports, governments engaged only in business-type activities or only in business-type and fiduciary activities should present revenues by major source for their business-type activities, distinguishing between operating, noncapital subsidy, and other nonoperating revenues and expenses.



04 GASB 104: Disclosure of Certain Capital Assets

Within Existing Note Disclosures about Capital Assets

Separately disclose the following assets and related amortization.

- Lease assets by major class of underlying asset.
- PPPs and availability payment arrangements by major class of underlying asset.
- Subscription assets.
- Intangible assets other than those above.

Intangible right-to-use assets should not be combined with any **owned** assets.

Capital Assets Held for Sale

- Meets definition if both of the following are met.
 - Government has decided to pursue the sale of the asset.
 - It is probable that the sale will be finalized within one year of the financial statement date.
- GASB provides four factors assisting the evaluation of a probable sale within one year.
- Evaluation should be performed for each reporting period.
- Continue to report asset within appropriate major class of capital assets.
- Following disclosures should be made of capital assets held for sale.
 - Disclose asset with separate disclosure of historical cost and accumulated depreciation by major class of asset.
 - Disclose carrying amount of debt for which asset is pledged as collateral, for each major class of asset.
 - Disclosures should be made for both governmental activities and business-type activities.

05 Current Projects

Current Projects

Standard Setting	Next Milestone	Expected Date
Going Concern Uncertainties and Severe Financial Stress	Comment Period	Ends 06/30/25
Implementation Guidance Update—2025	Final Document	2Q2025
Infrastructure Assets	Exposure Draft	1Q2026
Revenue and Expense Recognition	Exposure Draft	4Q2025
Subsequent Events	Final Document	4Q2025

Current Projects

Pre-Agenda Research

[Cybersecurity Risk Disclosures](#)

[GAAP Structure](#)

[Pension and OPEB Disclosures—Concepts Statement 7](#)

[Revenue and Expense Recognition—Note Disclosures](#)

Post-Implementation Review

[Fiduciary Activities—Statement 84—Stage One](#)

[Leases—Statement 87—Stage One](#)

[Other Postemployment Benefits—Statement 75—Stage Two](#)

Technology

[Voluntary Digital Financial Reporting](#)

Your Instructor

David G. Bullock, CPA

State and Local Government Practice Leader
Partner

[Click link to David's Bio](#)