



GASB and Single Audit Update

October 24, 2024

AGENDA



Single Audit Update



GASB No. 101 – Compensated Absences



GASB No. 102 – Certain Risk Disclosure



GASB No. 103 – Financial Reporting Model

SINGLE AUDIT UPDATE

EFFECTIVE DATE OF ALL CHANGES

- Government-wide effective date – October 1, 2024. **NOW**
- Some agencies may elect early implementation effective June 21, 2024 for new awards/amendments.
- Audit requirement changes (i.e., Single Audit threshold of \$1M) may not be implemented before fiscal years beginning on or after October 1, 2024.



2 CFR 200, SUBPART D - POST FEDERAL AWARD REQUIREMENTS

- Revised the section on cost sharing, as well as the definition of cost sharing itself, to clarify that “matching” is one category of cost sharing overall thus eliminating the need to repeat the term “matching” throughout.
- Revised section on program income by providing clarifications regarding use and expenditure of program income.
- Increased the threshold values for equipment and supplies from \$5,000 to \$10,000.

2 CFR 200, SUBPART D – POST FEDERAL AWARD REQUIREMENTS (continued)

- Revisions that contractors appropriately classify employees consistent with the Fair Labor Standards Act.
- Removed the prohibition in the Uniform Guidance on using geographic preference requirements.
- Included that subpart D does not prohibit recipients and subrecipients from incorporating a scoring mechanism that rewards bidders committing to specific numbers and types of U.S. jobs, as well as certain compensation and benefits.

2 CFR 200, SUBPART D — POST FEDERAL AWARD REQUIREMENTS (continued)

- Changed “small purchases” to “simplified acquisitions” to further align with standard terminology.
- Clarified that “micro-purchases” and “simplified acquisitions” are types of “informal procurement methods for small purchases.
- Added “veteran-owned business” to the types of businesses that recipients and subrecipients are encouraged to consider for procurement contracts under a Federal award.



2 CFR 200, SUBPART D — POST FEDERAL AWARD REQUIREMENTS (continued)

- Added a new paragraph encouraging federal award recipients, to the extent permitted by law, to purchase, acquire, or use products and services that can be reused, refurbished, or recycled; contain recycled content, are biobased, or are energy and water efficient; and are sustainable.
- Deleted the paragraph requiring the recipient to negotiate profit as a separate element of the price for each contract in which there is no price competition.

2 CFR 200, SUBPART D — POST FEDERAL AWARD REQUIREMENTS (continued)

- Provided additional clarity on required deadlines for financial reporting to align with performance reporting requirements.
- Included the requirement for pass-through entities to confirm that potential subrecipients are not suspended, debarred, or otherwise excluded from receiving Federal funds.

2 CFR 200, SUBPART E — COST PRINCIPLES

- Clarified that the cost principles in subpart E do not apply to grants and cooperative agreements for food commodities.
- Clarified when allowable administrative closeout costs may be incurred.
- Removed items from the prior written approval requirements to reduce Federal agency and recipient burden; revisions include no longer requiring prior written approval for such items as, real property, equipment, direct costs, entertainment costs, memberships, participant support costs, selling and marketing costs, and taxes.

2 CFR 200, SUBPART E — COST PRINCIPLES (continued)

- Raised the de minimis rate from 10 percent to 15 percent.
- Revised the section on fringe benefits to require recipients and subrecipients to allocate payments for unused leave as general administrative expenses for all activities.
- Clarified guidance on the allocability of pension plan costs and post-retirement health plan costs.



2 CFR 200, SUBPART F — AUDIT REQUIREMENTS

- Raised the audit threshold from \$750,000 to \$1,000,000. Effective for periods beginning on or after October 1, 2024 ([Part-8-Appendices.pdf \(whitehouse.gov\)](#))
- Revised compliance requirements to specify that compliance testing must include tests of transactions or other auditing procedures necessary to provide the auditor with sufficient appropriate audit evidence to support an opinion on compliance.
- Revised the definitions of known questioned costs and likely questioned costs and provided further clarity on how they are identified in an audit report.

GASB NO. 100- ACCOUNTING CHANGES AND ERROR CORRECTIONS

Effective FY 2024.

“Prior Period Adjustments” removed.

Accounting Changes (accounting principles, estimates, and reporting entity).

Error Corrections.

Guidance on presentation of historical information in required supplementary information (RSI) and Other Information.

GASB NO. 100- ACCOUNTING CHANGES AND ERROR CORRECTIONS (continued)

Changes in accounting principles and error corrections be reported retroactively by restating prior periods.

Changes in accounting estimates be reported prospectively by recognizing the change in the current period.

Changes to and within the financial reporting entity be reported by adjusting beginning balances of the current period.

Identify which line item on the financial statements were affected.

GASB No. 100 - ACCOUNTING CHANGES AND ERROR CORRECTIONS (continued)

Exhibit 1 Classification of Accounting Changes with Examples		
Accounting Change	Events that qualify	Events that do not qualify
Reporting Entity	<ul style="list-style-type: none"> ■ Move ongoing operations from a fund ■ Add or remove a component unit ■ Change in determination of major funds ■ Change in presentation of component unit (blended or discrete presentation) 	<ul style="list-style-type: none"> ■ Creation of new fund as a result of providing new services/operations ■ Removing a fund in which operations have concluded ■ Acquisitions or disposal of operations of a discretely presented component unit
Accounting Principle	<ul style="list-style-type: none"> ■ Implementation of a new GASB pronouncement ■ Change from one generally accepted accounting method to another generally accepted method 	<ul style="list-style-type: none"> ■ Change from an accounting method that is not generally accepted to a generally accepted method
Accounting Estimate	<ul style="list-style-type: none"> ■ A change in methodology used to make an accounting estimate ■ A change made to the inputs for estimation, as a result of new information, experience or change in circumstances 	<ul style="list-style-type: none"> ■ Change in estimate resulting from conditions that existed at the date of the financial statements that management should have known and considered as of the date the financial statements are issued
Error Correction	<ul style="list-style-type: none"> ■ Mathematical and posting errors or misuse of facts that existed at the financial statement date ■ Change from an accounting method that is not generally accepted to a generally accepted method ■ Change in estimate resulting from conditions that management should have known and considered as of the date the financial statements are issued 	<ul style="list-style-type: none"> ■ Items that would otherwise qualify as corrections but are immaterial

GASB No. 100 - ACCOUNTING CHANGES AND ERROR CORRECTIONS (continued)



Exhibit 2 Presentation in Comparative Financial Statements

Accounting Change	Comparative Financial Statements	Notes to the Financial Statements
Reporting Entity	<ul style="list-style-type: none"> ■ No restatement of prior period financial statements ■ The cumulative effect is calculated as if the change occurred on the first day of the year. The cumulative effect on periods prior to the year of change should be reported as a restatement of beginning residual equity in the year of the change 	<ul style="list-style-type: none"> ■ Describe the nature of the change to or within the reporting entity ■ Describe the reason for the change (unless the change is as the result of a quantitative threshold test for major funds) ■ Disclose the effects on beginning residual equity
Accounting Principle	<ul style="list-style-type: none"> ■ Restate the financial statements for all periods presented ■ The cumulative effect on periods prior to the earliest period restated should be reported as a restatement of beginning residual equity of the first year presented 	<ul style="list-style-type: none"> ■ Identify the financial statement line items affected by the change ■ Identify the reason for the change, including an explanation of why the new principle is preferable, or identify the new GASB pronouncement requiring the change ■ Report the effects on beginning residual equity
Accounting Estimate	<ul style="list-style-type: none"> ■ No restatement or cumulative effect presented ■ The change in accounting estimate should be prospectively recognized beginning in the reporting period in which the change occurs 	<ul style="list-style-type: none"> ■ Describe the nature of the estimate and identify the financial statement line items affected by the change ■ Describe the reason for the change in measurement methodology and why the new method is preferable, unless the change is required by a GASB pronouncement
Error Correction	<ul style="list-style-type: none"> ■ Restate the financial statements for all periods presented ■ The cumulative effect on periods prior to the earliest statements presented should be reported as a restatement of beginning residual equity of the first year presented 	<ul style="list-style-type: none"> ■ Describe the nature of the error and correction and identify the financial statement line items affected by the error ■ Report the effect of the error correction on the change in net position, fund balance, or fund net position ■ Report the effects on beginning residual equity

GASB No. 100 - ACCOUNTING CHANGES AND ERROR CORRECTIONS (continued)

Exhibit 3 Presentation in RSI and SI	
Accounting Change	RSI and SI (including MD&A)
Reporting Entity	<p>Financial information included in the RSI and SI should conform to the entity reported in the comparative financial statements</p> <p>Because the financial statements are not restated for changes in the reporting entity, RSI or SI information should not be restated for periods prior to the period of change</p>
Accounting Principle	<p>The financial information contained in the RSI and SI should be restated for all periods for which financial statements are presented</p> <p>RSI or SI information should not be restated for periods prior to those of the comparative financial statements</p>
Accounting Estimate	<p>Prior periods are not affected by changes in accounting estimate, so no changes should be made to prior-year RSI and SI financial information.</p>
Error Correction	<p>Financial information included in the RSI and SI should be restated for all periods for which financial statements are presented</p> <p>If the error affects periods earlier than those appearing in the comparative financial statements, the RSI and SI financial information should be restated for all periods affected by the error (if practicable)</p>

CHANGES IN MAJOR FUND DETERMINATION – PRESENTATION ON THE FACE OF THE FINANCIAL STATEMENT



- Changes to the major funds (governmental and enterprise) will require an adjustment to the beginning fund balance/net position on the face of the financial statements.
- Note disclosures for this change is not required but you must show the aggregate change on the face of the financial statements when there is a change to or within the reporting entity.
- GFOA has used the phrase “ghost” column, but this presentation is not required.

See GFOA’s finance review article regarding this topic:

gfoaorg.cdn.prismic.io/gfoaorg/ZnOTFpm069VX15mU_GFR0624-Ghosts.pdf

GOVERNMENTAL FUND ACTIVITY STATEMENT – FUND CLASSIFICATION FROM NONMAJOR TO MAJOR

Detail shown here but you can aggregate here and disclose detail in a note disclosure. →

City of Government
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 20X2

	General Fund	Recreation Fund	Private Grant Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Total revenues	\$ 139,610,043	\$ 41,194,613	\$ 5,900,050	\$ 25,601,808	\$ 207,306,514
EXPENDITURES					
Total expenditures	142,780,234	39,082,987	800,000	23,698,442	206,361,663
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,170,191)	2,111,626	100,050	1,903,366	944,851
OTHER FINANCING SOURCES (USES)					
Total other financing sources (uses)	6,192,157	2,016,236	-	(300,715)	7,907,678
NET CHANGE IN FUND BALANCES	3,021,966	4,127,862	100,050	1,602,651	8,852,529
FUND BALANCES, 6/30/X1, as previously presented	27,094,293	6,646,703		12,462	46,203,105
Change within financial reporting entity (nonmajor to major fund)	-	-	2,587,439	(2,587,439)	-
Change to financial reporting entity (blended to discrete)				(169,162)	(169,162)
Error correction	194,216	-	-	-	194,216
FUND BALANCES, 6/30/X1, as adjusted or restated	27,288,509	6,646,703	2,587,439	9,705,268	46,227,919
FUND BALANCES, 6/30/X2	\$ 54,577,018	\$ 13,293,406	\$ 55,174,878	\$ 19,410,536	\$ 92,455,838

Source: GFOA Just a T.A.D. Episode 6: GASB 100 "Ghost Columns"

GOVERNMENTAL FUND ACTIVITY STATEMENT – FUND CLASSIFICATION FROM MAJOR TO NONMAJOR

Detail shown here but you can aggregate here and disclose detail in a note disclosure.



City of Government
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 20X2

	General Fund	Recreation Fund	Formerly Major Fund Private Grant Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Total revenues	\$ 139,610,043	\$ 41,194,613		\$ 34,070,858	\$ 214,875,514
EXPENDITURES					
Total expenditures	142,780,234	39,082,987		24,699,492	206,562,713
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,170,191)	2,111,626		9,371,366	8,312,801
OTHER FINANCING SOURCES (USES)					
Total other financing sources (uses)	6,192,157	2,016,236		5,926,715	2,281,678
NET CHANGE IN FUND BALANCES	3,021,966	4,127,862		3,444,651	10,594,479
FUND BALANCES, 6/30/X1, as previously presented	27,094,293	6,646,703	2,587,439	9,705,268	46,033,703
Change within financial reporting entity (nonmajor to major fund)	-	-	2,587,439	(2,587,439)	-
Change to financial reporting entity (discrete to blended CU)	-	-		(169,402)	(169,402)
Error correction	194,216	-		-	194,216
FUND BALANCES, 6/30/X1, as adjusted or restated	27,288,509	6,646,703		12,462,109	46,397,321
FUND BALANCES, 6/30/X2	\$ 30,310,475	\$ 10,744,565		\$ 15,906,760	\$ 56,991,800

GASB NO. 101 *COMPENSATED ABSENCES*

GASB No. 101 COMPENSATED ABSENCES

Objective:

The statement aims to improve the recognition and measurement guidance for compensated absences, ensuring financial statements provide better information to users¹.

Recognition and Measurement:

- Liabilities for compensated absences must be recognized for both unused leave and leave that has been used but not yet paid or settled¹.
- Unused leave must meet three criteria: it is attributable to services already rendered, it accumulates, and it is more likely than not to be used or paid².

GASB NO. 101-
COMPENSATED
ABSENCES
GFOA GAAFR PLUS 4TH
QUARTER 2023
SUPPLEMENT

Effective FY 2025

Supersedes Statement No. 16 - Absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave

Leave = results in an employee receiving one or more of the following

Cash payments and settlements can occur during employee's service or at termination of employment

(1) Cash payments (through payroll) for leave time used for time off

(2) Other cash payments (cash settlements) for leave time; or

(3) Noncash settlements, such as conversion for health benefits

GASB NO. 101 HIGHLIGHTS

- Key Change: governments need to recognize a liability for cash payments to employees for sick leave time that will be used for time off.
- Prior to GASB No. 101, governments only recognized a liability when earned sick leave could be settled for cash or other compensation, not when it was expected to be used as leave.
- Required to estimate how much of the accumulated unused sick leave *more than likely than not* will be paid to employees when they take time off in future periods (i.e. how much will employees be out sick?).



WHAT IS CONSIDERED A COMPENSATED ABSENCE?

Various forms, not just vacation and annual leave, but also sick leave, paid time off, holidays, jury duty leave, military leave, bereavement leave, unrestricted sabbatical leave, and others (see Paragraph 3 of GASB No. 101).

WHEN DO WE HAVE A COMPENSATED ABSENCE LIABILITY FOR UNUSED LEAVE?

- Does the absence accumulate?
- Is the absence attributable to services already rendered?
- Is it more likely than not to be either paid or settled through other means?

WHEN DO WE HAVE A COMPENSATED ABSENCE LIABILITY FOR UNUSED LEAVE?

How should governments evaluate if payment or settlement is *more likely than not*?

- *Likelihood of using time off is 50% or more.*
- *Their employment policies or contract terms regarding compensated absences.*
- *If any leave time that has been earned is or will become eligible for use or settlement in a future period.*

OTHER CONSIDERATIONS

- Recognize leave that is dependent on the occurrence of an event that affects only a small proportion of employees during a reporting period when **the leave has begun** (e.g. family or military leave).
- Recognize unlimited leave and holiday leave that must be used on a specific date once it has been **used (Paragraph 15)**.
- ***Recognize salary-related payments as part of compensated absence liabilities when they are directly and incrementally associated with leave for which a liability is recognized (e.g. employer's share of payroll taxes).***
- Don't forget to **accrue a liability for leave that's dependent** on a sporadic event (e.g., parental leave, military leave) when it commences.

TYPES OF LEAVE AND MEASUREMENT

Types of Leave

- Specific types like parental leave, military leave, and jury duty leave are recognized only when the leave commences.

Measurement

- Generally, uses the employee's pay rate as of the financial statement date.
- Includes salary-related payments directly associated with leave payments.

Disclosure

- Governments can disclose the net change in the liability for compensated absences instead of gross increases and decreases¹.

LEAVE TYPE	RECOGNITION OF UNUSED LEAVE AND ASSOCIATED SALARY-RELATED PAYMENTS AS COMPENSATED ABSENCES
GENERAL	
All earned, accumulating leave that is more likely than not to be paid or settled other than as DB PEB and that is not included in any of the below exceptions (e.g., vacation/annual leave, sick leave, paid time off, and sabbatical leave during which the employee is not required to perform any duties for the employer)	When leave is earned
EXCEPTIONS	
Earned, accumulating leave that is more likely than not to be settled through <i>conversion to defined benefit pension</i> or other postemployment benefits	Not recognized*
Earned, accumulating leave that is more likely than not to be paid or settled (other than as DB PEB) that is <i>dependent upon the occurrence of a sporadic event that affects a small proportion of employees in a particular reporting period</i> (e.g., military leave, parental leave, jury duty) is recognized as a liability as soon as the leave has begun. <ul style="list-style-type: none"> Neither sick leave nor unrestricted sabbatical leave may be recognized in this manner 	When leave commences**
Unlimited leave and holiday leave taken on a specific date	When leave is taken†

* See footnote 3.

** For example, if parental leave of three months is more likely than not to be paid, and a qualifying employee begins parental leave on June 1, a government with a June 30 fiscal year end would report a liability for the remaining two months of leave in financial statements dated June 30 because the leave had already begun.

† For example, if an employee becomes eligible to take January 1 off as a holiday by being an active employee as of close of business on December 31, a government with a December 31 fiscal year end would not report a liability for the holiday leave because it has not yet been taken.

GASB 101 Literally

Entity Type	Governmental Activities Balance as of FYE 2023	Business-type Activities Balance as of FYE 2023	Total
City	\$221,171	\$16,300	\$237,471
City	4,891,257	694,241	5,585,498
College		2,285,061	2,285,061
City	9,801,250	831,182	10,632,432
City	1,501,278	206,039	1,707,317
City	10,224,068	875,437	11,099,505
County	12,827,089		12,827,089
ISD	2,780,946		2,780,946
ISD	1,079,089		1,079,089
College		4,675,803	4,675,803
ISD	37,316,947		37,316,947
ISD	496,409		496,409
College		990,464	990,464
College		2,084,069	2,084,069
County	392,280		392,280
ISD	1,042,365		1,042,365
College		2,417,317	2,417,317

COMPENSATED ABSENCES LIABILITY

1

Review
Procedures

2

Identify the
leave that
accrues

3

Estimate
Usage of
leave

4

Estimate
amount to
be paid

5

Determine
Appropriate
Rate

**APPROACHES
DISCUSSED
BY GFOA
GAAFR
(BLUE BOOK)**

	Days Paid	Dollars Paid
Recognition	Liabilities are recognized for the number of days of leave that have been used but not yet paid.	Liabilities are recognized for the dollar amount of leave that has been used but not yet paid.
Measurement	# of Days Leave X Employee Pay Rate as of the F/S Date.	Actual cash payment or noncash settlement to be made.
Key Differences	Time value of leave.	Monetary value of the leave.

GFOA SUMMARY OF THE DAYS PAID APPROACH

- Develop trends based on historical use of sick leave.
- Representative sample of active employees to determine the # of sick days used in the past 5 years and their hourly pay rate at the end of the reporting period, unless
 - Some or all of the leave is more likely than not to be paid a rate different from the employee's pay rate at the time the payment is made,
 - The leave is not attributable to a specific employee at the end of the FY or
 - Some or all of the leave is more likely than not to be settled through noncash means other than conversion to defined benefit OPEB.

GFOA'S SUMMARY OF DOLLARS-PAID APPROACH



- Based on cash settlements made to terminated employees.
- Develop average rates of pay to apply to the current active employees and convert past payments to the current dollars as the basis for calculating an estimated liability in the current period.
- Representative sample of former employees to estimate proportions of leave time used and leave time settled as cash at termination.
- Calculations performed for each employee group and then aggregated, if the result would be materially different for using an overall average.

GFOA DAYS PAID OUT EXAMPLE

Sick Leave Policy

- Employees earn 1 day of sick leave for each month worked which can be carried over to future fiscal years.
- Employees, with **service years of 10 or more**, are **paid in cash for 30 percent** of their unused sick leave, **maximum of 150 days**, upon termination of employment, at their hourly rate at the time of termination.
- The government does not contribute to the defined contribution plan for amounts paid out at termination.
- Sick leave policy is consistent for all government employees, no significant “classes” of employees.

GFOA DAYS PAID OUT EXAMPLE (continued)

Inputs

- Average days used annually for a sample of active employees, as a percentage of days earned.
- Average hourly rate for sampled employees.
- Percentage applicable for salary-related payments.
- The aggregate “sick leave bank,” the total accumulated days for the entire active employee population.
- Number of days paid out and the total days accrued at date of termination for a sample of former employees.

GFOA DAYS PAID APPROACH EXAMPLE

- Calculate the amount more likely than not to be used by the aggregate employee group or separate it by groups of employee.

Historical days of leave used SAMPLE	Days used					F (Sum A thru E) Total days used	G (F/5 years) Average annual use (days)	Annual salary	Calculated Average Hourly rate	
	A 20X1	B 20X2	C 20X3	D 20X4	E 20X5					
Active employee 1	5	4	5	3	3	20	4.0	\$ 55,000.00	\$ 26.44	
Active employee 2	4	3	4	4	4	19	3.8	60,000.00	28.85	
Active employee 3	2	5	2	3	2	14	2.8	110,000.00	52.88	
Active employee 4	8	9	7	7	8	39	7.8	115,000.00	55.29	
Active employee 5	6	12	8	9	7	42	8.4	120,000.00	57.69	
Active employee 6	4	4	3	4	3	18	3.6	65,000.00	31.25	
Active employee 7	7	2	3	3	2	17	3.4	70,000.00	33.65	
Active employee 8	8	2	5	4	5	24	4.8	45,000.00	21.63	
Active employee 9	3	3	4	4	2	16	3.2	85,000.00	40.87	
Active employee 10	4	5	4	6	4	23	4.6	82,000.00	39.42	
Average								4.6		
Average days used (12 days awarded per year)								38.67% H		
								Average hourly rate \$	38.80	

- Calculate the amount estimated to be paid out at termination for the aggregate employee group.

	<u>For leave that is used</u>	<u>For leave that is paid out</u>
Social Security (6.2%)	6.20%	6.20%
Medicare (1.45%)	1.45%	1.45%
457b DC plan (5%)	5.00%	0.00%
Total % of salary related payments	12.65%	7.65%

Calculation related to sick leave to be used								
	L	M (H above)	N (LxM)	O (Nx8 hours)	P (I above)	Q (OxP)	R (Q x.1265)	S (Q+R)
	Total sick leave accrued at FYE (days)	% use as leave	More likely than not Sick leave to be used (days)	Sick leave for use (hours)	Average hourly rate at FYE	Liability for sick leave for use	Salary-related liability related to sick leave for use	Total Liab for Sick Leave to be used
Aggregate Employee Group	1,527	38.67%	590	4,720	\$ 38.80	\$ 183,136	\$ 23,167	\$ 206,303

GFOA DAYS PAID APPROACH EXAMPLE (continued)

- Calculate the amounts of leave to be **used**.
- Amount estimated to be used.
- Now we bring in the actual balances.

Average employee years of service upon termination

SAMPLE	Years of service	Eligible for sick payout (>= 10 years)	Days paid out at termination	Accumulated (unused) days as of date of termination
Former employee #1	32	YES	150	163
Former employee #2	6	NO	-	50
Former employee #3	23	YES	100	100
Former employee #4	20	YES	150	179
Former employee #5	18	YES	85	85
Totals			485	577
% of days paid at termination to total days accumulated				84%

Previously Calculated:
 1,527 days in the sick leave bank;
 590 days were MLTN to be used
 Maximum sick leave days for
 payout is **937**.

**MLTN days to be paid out = 787
 (937*84%)**

GFOA DAYS PAID APPROACH EXAMPLE (continued)

- Calculate the amounts of leave to **be paid out**.
- Who and how much is eligible to be paid out at termination?

Calculation of sick leave to be paid out

U (Tx84%)	V (Ux8 hours)	W(VxP)	X (Wx30%)	Y (Xx.0765)	Z (X+Y)
More likely than not - Sick leave for payout (days)	Sick leave for payout (hours)	Sick leave for payout (\$)	Sick leave for pay, capped at 30%	Salary-related liability related to sick leave payout	Total Liability for Sick Leave to be paid out
787	6,296	\$ 244,285	\$ 73,286	\$ 5,606	\$ 78,892

GFOA
DAYS PAID
APPROACH
EXAMPLE
(continued)

- Sick Leave pay was capped at 30% of balance per policy.
- Added salary related liabilities.
- Amount of leave to be paid out at FYE - \$78,892.
- Total liability on financial statements - \$285,195 (\$206,303+78,892).

TOTAL COMPENSATED ABSENCES AT YEAR END



Aggregate sick leave bank

Estimate % use as leave

\$ Rate applied to sick leave for use

Add salary related payments

Liability for sick leave to be **used**

Available for sick leave payout

MLN for sick leave payout

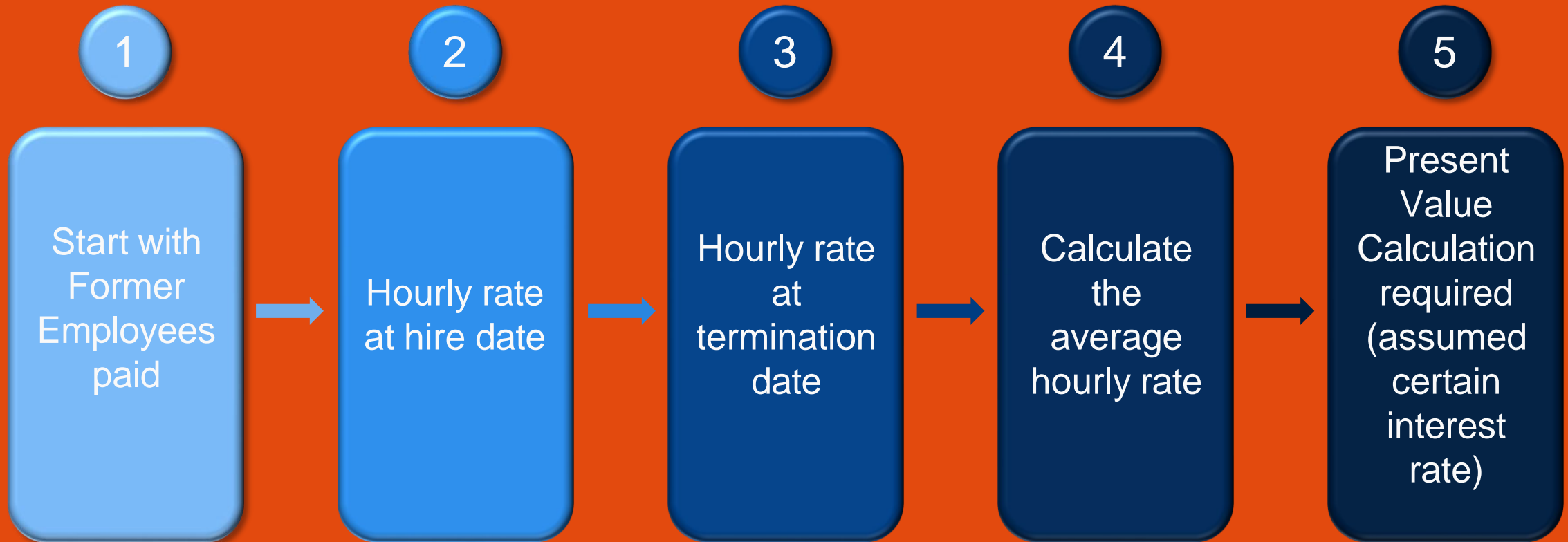
Apply hourly rate at FYE

Sick leave pay cap % and max

Add salary-related payments

Liability for sick leave to be **paid**

GFOA'S DOLLARS PAID APPROACH EXAMPLE



GFOA'S DOLLARS PAID APPROACH EXAMPLE (continued)

1

Years of Service of Former Employees

2

Unused sick leave (Leave earned over the duration of employment less leave used)

3

Aggregate years of service for all active employees

4

Same policy as days paid plus: current active employees' pay rates are based on experience levels associated with 80% of the value of sampled terminated employees

5

Present Value Calculation required (assumed certain interest rate)

GFOA'S DOLLARS PAID APPROACH EXAMPLE (continued)



	Years of service	Daily pay rate at date of termination	Accumulated unused sick leave (days)	Sick leave used (days)	Average daily pay	Termination payment	Years since payment	Value of leave used	PV Factor	Present value of termination payments	
	A (From records)	B (From records)	C (From records)	D ((Ax12)-C)	E (Start rate + End rate /2) x 8	F (if A=> 10 yrs, (Cx30%) xB)	G (From records)	H (D x E)	I (1.0325^G)	J (Fxi)	
Former employee #1	18	\$ 515	66	150	\$ 418	\$ 10,197	5	\$ 62,700	1.1734	\$ 11,965	
Former employee #2	2	173	22	2	173	-	4	346	1.1365	-	
Former employee #3	23	681	95	181	524	19,409	3	94,844	1.1007	21,364	
Former employee #4	7	334	60	24	306	-	2	7,344	1.0661	-	
Former employee #5	11	374	82	50	329	9,200	1	16,450	1.0325	9,499	
	<u>61</u>									\$ 42,828	
Total years of service of sampled terminated employees										L (sum of As)	61
Average payout per year of service										M (AA / L)	\$ 702
Aggregate years of service of active employees										N (from records)	236
Projected payout for active employees										O (M x N)	\$ 165,672
Assume lower average salary level of active employees										P (Assumption)	80.0%
Projected payout for active employees, at assumed lower rates										Q (O x P)	\$ 132,538
Salary-related payment percentage applicable to payout										(calculated)	7.65%
Salary-related payments										R (Qx.0765)	\$ 10,139
Totals liability for sick leave to be paid out										S (Q+R)	\$ 142,677

EXAMPLE VACATION POLICY # 1

Earned, unused vacation hours may be rolled over from one fiscal year to the next. **The maximum amount of vacation accrual an employee may have on the books may not exceed two times the amount eligible to be earned each year.** Employees **may be paid for vacation hours upon termination** of employment, the lesser of one year's accrual for the employee's years of service or the actual balance of vacation hours at separation. For purposes of vacation guidelines, ***actual balance*** is defined as **carryover from one year to the next, plus current year's accrual, prorated for the termination date.** For example, an employee earning a maximum of two weeks a year may be paid for only two weeks at separation, regardless of how many vacation hours are shown in the leave balance. **So 100% of the maximum allowed to be rolled forward is accrued as a liability.**

EXAMPLE VACATION POLICY # 1 (continued)

Length of Service	Vacation Days
First Month of Employment	6.67 hours per month through 8 th year* or 80 hours per year
Beginning of 9 th year	10 hours per month through 15 th year* or 120 hours per year
Beginning of 16 th year	13.33 hours per month through 24 th year or 160 hours per year
Beginning of 25 th year	16.67 hours per month or 200 hours per year

*Years of service must be full-time, continuous employment.

EXAMPLE: SICK LEAVE POLICY #1

- “Effective August 1, 1988, employees may accumulate a **maximum of 1,280 hours of sick leave**. There will be **no accumulation for payout purposes** for any sick hours that an employee earns after August 1, 1988.” **However, how much of this will be used as time off. This is a potentially large balance. How much is available as of June 17, 2024? As of August 31, 2023, the sick leave to be paid out for employees hired before 8/1/1988 was only \$267,440.**

EXAMPLE: PERSONAL BUSINESS LEAVE POLICY #1



- Full-time employees will have twenty-four (24) hours of their sick leave accrual allocated to personal business leave at the beginning of each fiscal year. At the end of the fiscal year, any unused personal business leave will revert back to the employee's sick leave balance.
- An employee requesting the use of personal business leave is responsible for obtaining leader approval and for entering the time in the appropriate leave reporting system.

No accrual needed here because any unused leave reverts back to sick leave.

GASB NO. 102 – CERTAIN RISK DISCLOSURES

Effective Date is for fiscal years beginning on or after June 15, 2024 and all reporting periods thereafter (not retroactive).

Key Impacts on Governments

- Improved Risk Transparency
- Enhanced Decision-Making
- Proactive Risk Management
- Timely information

Government must have activities that:

- Risk Identification
- Potential Impact
- Mitigation Strategies

GASB NO. 103 FINANCIAL REPORTING MODEL IMPROVEMENTS

- Issued April 2024
- Objective: 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.
- Effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.
- Earlier application is encouraged.
- All changes are reported as a change in accounting principle (see GASB No. 100).

GASB NO. 103: AREAS OF FOCUS

- Management's Discussion and Analysis
- Unusual and infrequent items
- Proprietary fund statements
- Information about major component units in basic financial statements
- Budgetary comparison information
- Financial trends information in the statistical section

MANAGEMENT'S DISCUSSION AND ANALYSIS

The basic financial statements will continue to be preceded by MD&A, which is required supplementary information (RSI), in the five following categories:

- Overview of the Financial Statements
- Financial Summary
- Detailed Analysis
- Significant Capital Asset and Long-term Financing Activity
- Currently Knowns Facts, Decisions, or Conditions

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

MD&A should:

- Be written in a manner that can be understood by users who may not have a detailed knowledge of governmental accounting and financial reporting
- Include explanations and interpretations that help users understand the information provided

Current Year Balances and Results of Operations Compared to the Prior Year:

- The analysis should assist users in understanding why balances and results of operations reported in the current year's financial statements changed from the prior year rather than simply presenting the amounts or percentages by which they change

- If possible, unnecessary duplication should be avoided
- 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
- For example, a change in the tax rate may affect the results of operations in both the government-wide financial statements and fund financial statements

Note: If a letter of transmittal is presented in the introductory section of an ACFR, governments are encouraged not to duplicate information contained in MD&A

MD&A – DISCRETELY PRESENTED COMPONENT UNITS



- MD&A should focus on the primary government.
- Information included in MD&A should distinguish between that of the 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 the individual component unit's relationship to the primary government.
- If appropriate, the reporting entity's MD&A should refer users to the component unit's separately issued financial statements.

MD&A – DETAILED ANALYSES

- Refer to the analysis of significant capital asset and long-term financing activity rather than duplicating information.
- The analysis should explain why those changes from the prior year occurred and indicate the magnitude of those changes.
- The analysis should include facts, decisions, or conditions about which the user may not be aware, with the understanding that not all users may be from the government's geographical area.

MD&A – DETAILED ANALYSES (continued)

The analysis should explain a discussion of significant policy changes that significantly affected operating results for the year.

- Examples: Changes in tax rates or fees, the imposition of a hiring freeze.

The analysis should explain important economic factors that significantly affected operating results for the year.

- Examples: Changes in the tax or employment bases.

MD&A – BUDGETARY ANALYSIS

- **No longer will be part of the MD&A**
- The GASB concluded that the discussion of variances should be presented as notes to RSI so that the analysis of variances would be presented closer to the variances themselves.
- The MD&A should focus on information in the basic financial statements, and budgetary comparison information is not part of the basic financial statements.

MD&A – CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

What is expected to have a significant effect on financial position or expected to produce significant differences from current-period results of operations?

Examples that should be included, if applicable, include:

- Trends in relevant economic and demographic data.
- Relevant factors used to develop the subsequent year's budget that will provide an indication of how results of operations are expected to change in the subsequent year.

MD&A – CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS (continued)

Examples that should be included, if applicable, include:

- Expected changes in budgetary net position or fund balance.
- Actions taken related to pension, OPEB, capital asset improvement plans, leases, SBITAs, and other long-term financings that will affect a subsequent period.
- Actions other parties have taken that will affect the government in a subsequent period.
- The above list is not an all-inclusive list; describe and include others as appropriate.

SPECIAL AND EXTRAORDINARY ITEMS

Current GAAP (Not GASB Statement No. 103)

- Special items are significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence.
- Extraordinary items are transactions or other events that are both unusual in nature and infrequent in occurrence.

UNUSUAL OR INFREQUENT ITEMS

- Transactions and other events that are unusual in nature or infrequent in occurrence.
- Present inflows and outflows related to unusual or infrequent items individually as the last presented flow(s) of resources prior to the net change in resource flow.
- Disclose in notes to financial statements the program, function, or identifiable activity to which an unusual or infrequent item is related, if applicable.
- Disclose in notes to financial statements whether that item is within the control of management.

PROPRIETARY FUND FINANCIAL STATEMENTS

- Defines proprietary fund operating revenues and expenses and nonoperating revenues and expenses (including defining subsidies).
- Definitions will assist governments of all sizes by providing clearer guidance on how to classify revenues and expenses, which will increase the consistency and comparability of that information.

PROPRIETARY FUND FINANCIAL STATEMENTS (continued)

***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, and
- Investment income and expenses

*Unless transactions constitute the proprietary fund's principal ongoing operations.

PROPRIETARY FUND FINANCIAL STATEMENTS (continued)

What are operating revenues and expenses?

Revenue and expenses other than nonoperating revenues and expenses.

PROPRIETARY FUND FINANCIAL STATEMENTS (continued)

What is a subsidy?

- Resources received from another party or fund
 1. for which the proprietary fund does not provide goods and services to the other party or fund and
 2. 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
 1. for which the other party or fund does not provide goods and services to the proprietary fund and
 2. that are recoverable through the proprietary fund's current or future pricing policies.
- All other transfers.

PROPRIETARY FUND FINANCIAL STATEMENTS (continued)

- Noncapital subsidies are presented separately after Operating Expenses and included in Total Operating Income (Loss).

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

MAJOR COMPONENT UNITS

- Present each major component unit separately in the reporting entity's statements of net position and activities.
- If readability of financial statements is reduced, combining statements of major component units should be included.

STATISTICAL SECTION (WHEN AN ACFR IS PREPARED)

- Applicable to governments engaged only in business-type activities or only in business-type and fiduciary activities.
Examples: Colleges and universities, toll road authorities, water authorities, etc.
- Should present revenues by major source for their business-type activities, distinguishing between:
 - Operating
 - Noncapital subsidy, and
 - Other nonoperating revenues and expenses

BUDGETARY COMPARISON INFORMATION

- Budgetary comparison schedules should be presented as RSI for the general fund and each major special revenue fund that has a legally adopted annual budget.
- Present separate columns for the variances between:
 - Original and final budget amounts and
 - Final budget amounts and actual results.
- Explanations for significant variations between original and final budget amounts and final budget amounts and actual results should be presented in notes to RSI.

Thank you!

Call, email, text any questions!



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