

2024 GASB Update and Implementation Planning

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Your Speaker



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Agenda

- ▶ Timeline
- ▶ GASB 100, Accounting Changes and Error Corrections
- ▶ GASB 101, Compensated Absences
- ▶ GASB 102, Certain Risk Disclosures
- ▶ Financial Reporting Model
- ▶ Other Projects
- ▶ Implementation Planning
- ▶ Questions?



Timeline

June 30 Effective Dates

FY 2024

- Statement 100

FY 2025

- Statement 101
- Statement 102

FY 2026

- Statement 103

September 30 Effective Dates

FY 2024

- Statement 100

FY 2025

- Statement 101
- Statement 102

FY 2026

- Statement 103



Statement Impact

| <i>Statement and FY Effective</i> | | <i>Potential Level of Effort*</i> | | | | | | |
|--|-------------|-----------------------------------|---------|---------|---------|---------|---------|---------|
| | | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2025 | FY 2026 |
| GASB 100 - Accounting Changes and Error Corrections | 2024 | | | | | | Small | |
| GASB 101 - Compensated Absences | 2025 | | | | | | MEDIUM | |
| GASB 102 - Certain Risk Disclosures | 2025 | | | | | | Small | |

*Based on June 30 fiscal years



Statement 100 – Accounting Changes and Error Corrections

An amendment of GASB Statement No. 62

Types of Accounting Changes / Corrections

01

Change in
Accounting
Principle

02

Change in
Accounting
Estimate

03

Change to or
Within a
Financial
Reporting
Entity

04

Corrections
of an Error



Change In Accounting Principle

- ▶ Change from one generally accepted accounting principle to another

- ▶ Implementation of new pronouncement

Financial Reporting

- ▶ Report change retroactively
- ▶ Cumulative effect if not practicable to restate prior periods presented

Required Supplementary Information and Supplementary Information

- ▶ Do not restate periods earlier than those presented in basic financial statements

Change in Accounting Estimate

- ▶ Change in inputs resulting from a change in circumstance, new information or more experience

Financial Reporting

- ▶ Report change prospectively
- ▶ Recognize in current-period flows

Change to or Within a Financial Reporting Entity

- ▶ A change results from:
 - ▶ Addition or removal of a fund
 - ▶ Change in fund presentation
 - ▶ Addition or removal of component unit
 - ▶ Change in component unit

- ▶ **Exceptions:** Statements 69 and 90



Financial Reporting

- ▶ Report by adjusting the current reporting period's beginning balances as if the change occurred as of the beginning of the reporting period

Required Supplementary Information and Supplementary Information

- ▶ Do not restate periods earlier than those presented in basic financial statements

Corrections of an Error

▶ Errors

- ▶ Mathematical mistakes
- ▶ Mistakes in the applications of accounting principles
- ▶ Oversight or misuse of facts that existed at the time the financial statements were issued

Financial Reporting

- ▶ Apply correction retroactively by restating beginning net position, fund balance, or fund net position for the cumulative effect

Required Supplementary Information and Supplementary Information

- ▶ All affected information should be corrected, if practicable, and identified as restated or not restated

Disclosures

- ▶ Disclose nature of error and its correction
- ▶ Disclose the effect on the prior period's change in net position, fund balance, or fund net position

Other Reporting Requirements for Accounting Changes and Error Corrections

Aggregate amount of adjustments of beginning net position should be displayed for each reporting unit

Notes should include a table to highlight the effects of each change or correction

Notes should be made at the reporting unit level



Statement 101 – Compensated Absences

Compensated Absences

What?

Amendments to existing guidance for compensated absences



Why?

A reexamination of Statement 16 found improvements to be made and to include additional guidance for leave



When?

The Statement will be effective for fiscal years beginning after December 15, 2023



More about Why

Upon reexamining compensated absences, GASB found:

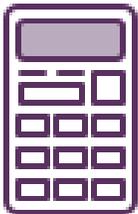
- A variation in how standards were being applied
- A lack of necessary guidance needed for other types of leave
- Inconsistencies within the standards relating to recognition of leave
- A reassessment of required disclosures was necessary



The Effect on Accounting

Viewing the leave

- Statement 16 established a variation in how leave was being viewed
 - Sick leave and vacation leave required different approaches
- Statement 101 views all leave meeting the scope criteria as the same



Scope

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



Examples

Examples of compensated absences include:

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



Exclusions

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

*include related
payroll taxes*

More Likely Than Not

(Greater than
50%) to be
used/paid

Recognition 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



Differences from Statement 16

- ▶ No longer a distinction between vacation and sick leave
- ▶ No options to accrue sick leave liability
- ▶ The “accumulates” criteria is unified for all compensated absences
- ▶ The likelihood of compensation for leave is lowered from probable to more likely than not (> 50%)



Exceptions

- ▶ Leave that is settled through conversion to DB 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



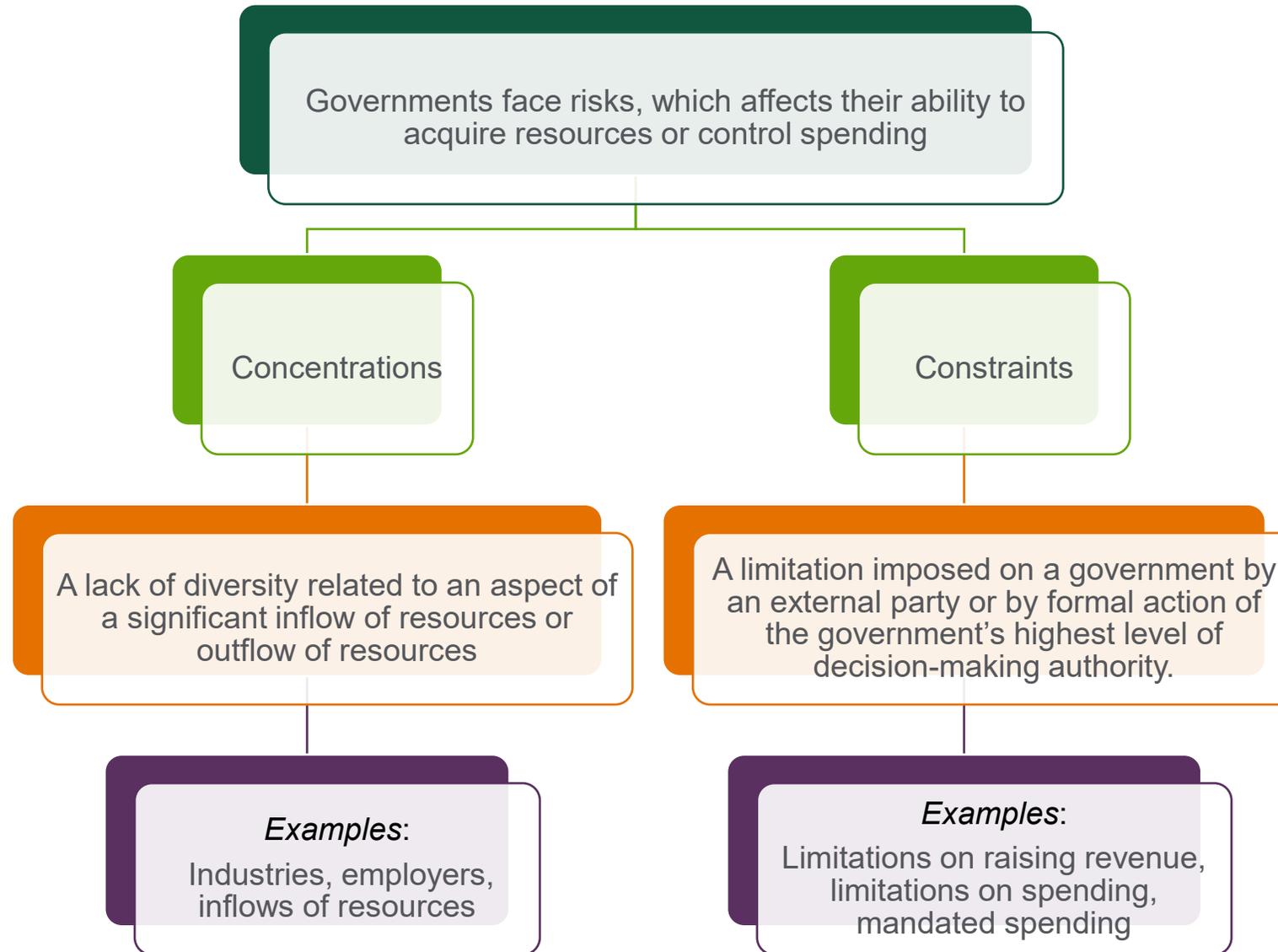
Disclosures

- ▶ No new disclosures
- ▶ On LT 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.



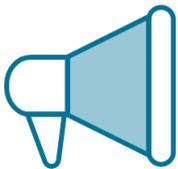
Statement 102 – Certain Risk Disclosures

Scope



Disclosure Criteria

- ▶ Disclosures are required when the following criteria are met
 - A concentration or constraint is known to the government prior to the issuance of financial statements
 - The concentration or constraint makes the reporting unit vulnerable to the risk of a substantial impact
 - An event or events associated with the concentration or constraint that could cause the 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 statement are issued



Disclosure Requirements

- ▶ When disclosures are required, they must provide the following:
 1. A description of the concentration or constraint
 2. A description of each event associated with the concentration or constraint that could cause a substantial impact
 3. A description of actions taken by the government to mitigate the risk



The Application with Other Disclosures

Disclosures required by this Statement may supplement or overlap existing required disclosures

Combine disclosures if the requirements overlap

Other Statement requirements may be met by the disclosures required in this Statement



Financial Reporting Model

Financial Reporting Model Improvements

What?

Improvements to the financial reporting model— Statements 34, 35, 37, 41, and 46, and Interpretation 6



Why?

A review found that the reporting model could be enhanced



When?

A final Statement is was approved in April 2024 and should be out in May 2024 as GASB 103



Improvements Objective

- ▶ The objective of these improvements would be to
 - Enhance effectiveness and provide information that is essential for decision-making
 - Enhance the ability to assess a government's accounting
 - Address application issues, based upon the results of the pre-agenda research on the financial reporting model



Financial Reporting Model Topics

- ▶ Management's Discussion & Analysis
- ▶ Unusual or Infrequent Items
- ▶ Presentation of the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position
- ▶ Operating and Nonoperating Revenues and Expenses
- ▶ Major Component Unit Financial Statements
- ▶ Budgetary Comparison Information
- ▶ Statistical Section – Financial Trends Information

- ▶ No longer included – Governmental Funds Financial Statements



Other Projects



Other Projects

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



Implementation Planning

Implementation Planning

- ▶ High-performance governments should have an implementation roadmap
- ▶ When evaluating new accounting pronouncements, Cherry Bekaert recommends looking at GASB's impact level, the industry specific impact, and your government's resources and capacity



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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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Questions?

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Questions

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