

Volusia/Flagler Chapter – FGFOA

GASB 101 Update

October 17, 2025



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10.29.25

GASB 101 Decoded:

Lessons Learned and Next Steps
for Compensated Absences

To register: <http://bit.ly/42G2Tw9>

Statement 101 Effective Date & Transition

Effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter

- FYEs December 31, 2024; June 30, 2025; September 30, 2025
- Earlier application is encouraged

At transition, report as a change in accounting principle in accordance with Statement 100

Key Differences in the New Standards

Provisions	Statement 16	Statement 101
Types of leave	Vacation and other non-contingent leave; sick leave and other contingent leave	All forms of leave
Point of compensation	At the end of employment	As used during employment and at the end of employment
Probability of compensation	Probable (likely to occur)	More likely than not (greater than 50%)
Recognition approach(es)	Two options for sick leave; different approach for vacation	One general approach for all paid leave (with exceptions for practicality and cost-benefit)
Disclosures	Minimal	Even less

More Comprehensive Definition Than Before

Compensated absences are leave for which employees receive:

Cash when leave is used

or

Other cash payments, such as upon termination

or

Noncash settlements

Some Examples of Types of Paid Leave

Adverse weather leave

Annual leave

Bereavement leave

Bereavement leave – pets

Caregiving leave

Compensatory leave

Domestic violence leave

Election day (voting) leave

Floating holidays

Holiday leave

Jury duty

Long-term disability leave

Medical leave

Military leave

Paid time off (PTO)

Parental leave

Personal leave

Religious observance

Sabbatical leave

Short-term disability leave

Sick leave

Study leave

Time off for protests

Time off in lieu (TOIL)

Unlimited leave

Vacation leave

Volunteer time off

Witness leave

Documenting Leave Policies

- ✓ Who holds and maintains documentation related to leave policies?
- ✓ What types of documents contain the policies?
- ✓ What is the status of recordkeeping and documentation?
- ✓ What types of leave does the government provide and to which types of employees?
- ✓ What are the provisions for carrying over leave? Can it be used during employment? Paid for at termination? Are there limitations on the balance or dollar amount?

Excluded: Defined Benefit Pensions & OPEB

Leave that will be settled through conversion to defined benefit pensions or OPEB *should not* be recognized as a liability for compensated absences

Leave to be settled through conversion to defined benefit pensions or OPEB already is included in the measurement of the net pension liability and net OPEB liability

Approaches to Liability Recognition

“General approach” — A liability for compensated absences should be recognized for leave that meets all three of the following criteria:

1. Is attributable to services already rendered
2. Accumulates—it carries forward into future periods during which it can be used, paid for, or settled
3. Is more likely than not to be used, paid, or settled

For leave that is excluded from the general approach, recognize a liability, including any salary-related payments, when leave commences

Types of Leave and Their Recognition

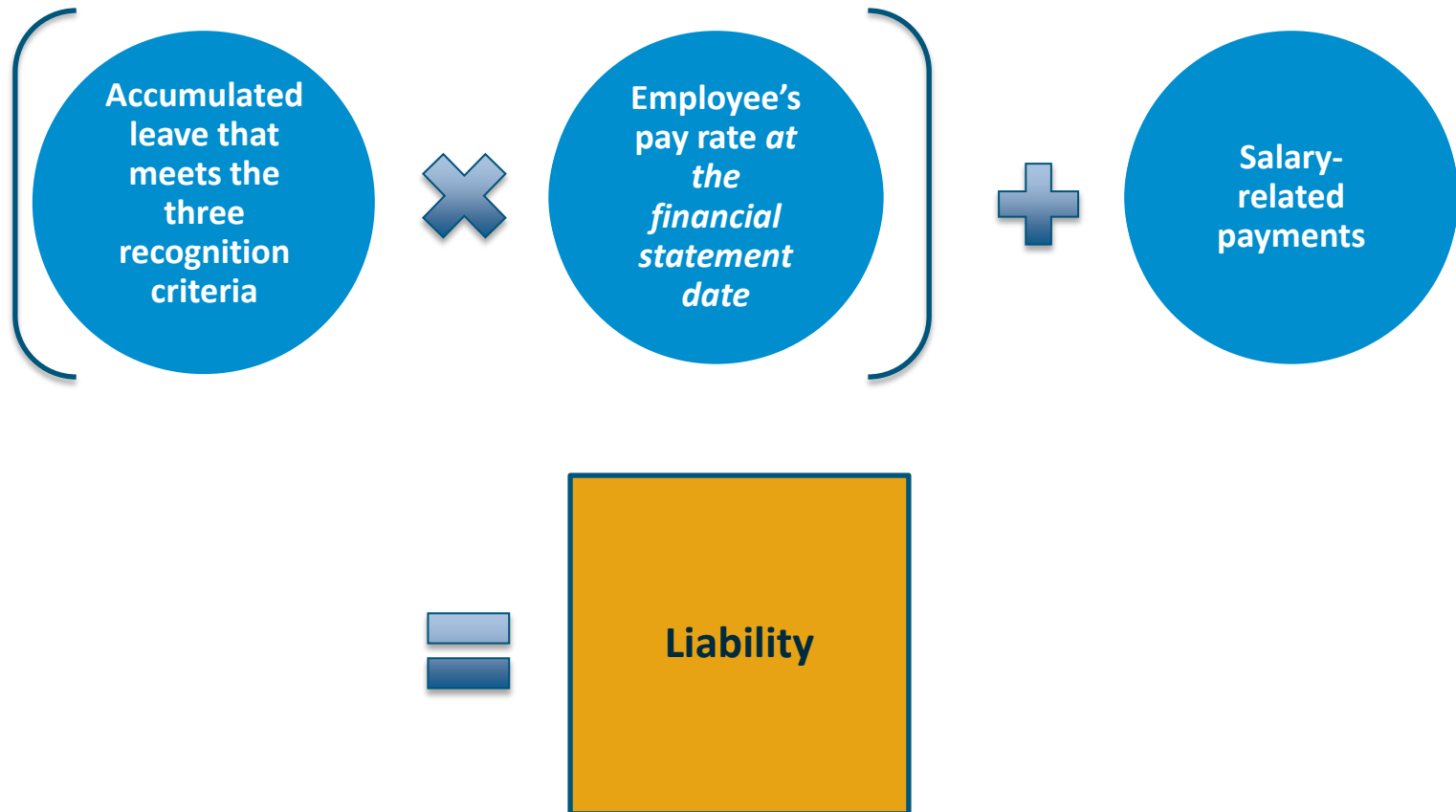
Covered by the general approach

- Sick leave
- Vacation leave
- Paid time off (PTO)
- Unrestricted sabbatical leave
- Other leave not specifically excluded from the general approach

Excluded from the general approach

- Parental leave
- Military leave
- Jury duty
- Other leave that depends upon the occurrence of a sporadic event that affects a relatively small proportion of employees
- Unlimited leave
- Holiday leave that is taken on a specific date not at the employees' discretion

General Approach to Measurement



Key Measurement Steps

Establishing beginning leave balances for each type of leave

Measuring the beginning liability, including leave not covered by general approach, if any

Determining ending leave balances for each type of leave

Measuring the ending liability, including leave not covered by general approach, if any

For both beginning and ending liabilities:

- Identifying pay rates to be used
- Identifying salary-related payments, including defined contribution pensions or OPEB, if any

Selecting assumptions, including FIFO v. LIFO

Flow Assumptions

Measurement of the liability for compensated absences requires an assumption about the “flow” of leave that is used first

In other words, do employees first use their accumulated leave or their newly earned leave?

The flow assumption affects the determination of how much leave is more likely than not to be *used* in future periods

The options are first-in, first-out (FIFO) or last-in, first-out (LIFO)

Simple Flow Assumption Example

Government with a December 31 FYE

Employee earns 15 days of sick leave per year, credited at the start of each year

Sick leave can be accumulated and used in future periods but is not paid for at termination

Employment began January 1, 2021

Employee has not used any sick leave thus far

In June 2026, the employee undergoes surgery and is out for 15 workdays

Flow Assumption Example (continued)

Days of Sick Leave Earned/Used

Fiscal Year	2021	2022	2023	2024	2025	2026
Leave earned	15	15	15	15	15	15
Leave used (FIFO)	15					
Leave used (LIFO)						15

FIFO: Employee is assumed to use 12 days earned in 2021 and 3 earned in 2022 = 15 days already earned as of FYE 12-31-25 ⇒ all 15 days included in the liability

LIFO: Employee is assumed to use 15 days earned in 2026 and 0 earned before 2026 ⇒ liability would be zero

Calendar Challenges

In many cases, leave accrues as time passes during the fiscal year (daily, weekly, monthly, quarterly, annually, etc.)

What happens if the timing of the accrual of leave is different than the fiscal year? For example:

- Leave accrues on a calendar-year basis but the fiscal year is different from the calendar year
- Leave accrues on the anniversary of an employee's hiring date

Leave accrual that varies based on the type of leave

- For example, sick leave accrues fully at the start of the fiscal year but vacation leave accrues at a rate of one day per month

Pay Rates for Measurement

A liability should be measured using an employee's pay rate *as of the date of the financial statements*

Additionally:

- Leave more likely than not to be paid at a rate different from the employee's pay rate should be measured using the different rate
- Leave not attributable to a specific employee, such as leave donated to a shared pool, should be measured using an estimated pay rate representative of the eligible employees
- Leave more likely than not to be settled by noncash means other than conversion to DB pension or OPEB should be based on the amount for which it is more likely than not to be settled

Implementation Guide 2025-1: Q4.15

- Q—Is a future pay rate that is known (for example, because the next year’s salary increases are approved or a collective bargaining agreement is in place) a rate different from the employee’s pay rate at the time the payment is made as described in paragraph 17 of Statement 101?
- A—No. Paragraph 17 of Statement 101 describes a circumstance in which leave is more likely than not to be paid at a rate different from the employee’s pay rate in effect at the future date when the payment is made, such as a percentage of that pay rate or a set dollar amount. Governments should not use future pay rates, even if known, in the measurement of the liability for leave that is more likely than not to be paid at the future pay rate. Paragraph 20 of Statement 101 requires future pay rate changes to be recognized in the period of the change.

Leave More Likely Than Not to Be Paid at a Different Rate

A government compensates employees for unused vacation leave at 50 percent of their pay rate

An employee retires at the end of the fiscal year with 200 unused vacation days

Their pay rate as of fiscal year-end equaled \$350 per day

$$200 \text{ days} \times (\$350 \times 50\%) = \$35,000$$

$$\text{Liability} = \$35,000 + \text{salary-related payments}$$

Leave MLTN to Be Paid at a Different Rate: Leave Caps

A government compensates employees for unused vacation leave at 50 percent of their pay rate

An employee retires at the end of the fiscal year with 200 unused vacation days

Their pay rate as of fiscal year-end equaled \$350 per day

There is a cap on the payout of no more than \$20,000

$$200 \text{ days} \times (\$350 \times 50\%) = \$35,000$$

$$\text{Liability} = \$20,000 + \text{salary-related payments}$$

Salary-Related Payments

Measurement of the liabilities for both leave that has been used and not used should include salary-related payments that are both:

- Directly associated with the leave—payment depends on the amount of salary to be paid, *and*
- Incrementally associated with the leave—payment is in addition to the payment of the salary

Examples include the employer share of Social Security and Medicare taxes, possibly employer payments related to DC pensions and OPEB, but *never* payments related to DB pensions and OPEB

Defined Contribution Pensions & OPEB

Prior to Statement 101, the only liability recognized related to defined contribution (DC) plans, if any, was a payable for contributions due before FYE but not made

As a result of Statement 101, if contributions to DC plans are salary-related payments, then a portion of the liability for compensated absences is a contribution to the DC plan based on the amount of salary to be paid at termination

Contributions to DC Plans

An employee retires at the end of the fiscal year with 200 unused vacation days

Their pay rate as of fiscal year-end equaled \$350 per day

The government also must make a contribution to the employee's DC pension plan equal to 2% of pay

Other salary-related payments, such as FICA, total 30% of pay

200 days × \$350 =	\$70,000
\$70,000 × 2% =	1,400
\$70,000 × 30% =	21,000
Liability =	\$92,400

Governmental fund reporting

Recognize expenditures in the amount of compensated absences that normally would be liquidated with expendable available financial resources

A liability should be reported on a basis consistent with governmental fund accounting principles

Reduced Disclosure Requirements

Long-term liabilities note:

- Beginning and ending balances for the year
- Changes in the liability during the year as *either*:
 - Separate increases and decreases, *or*
 - NEW** • *A net increase or net decrease, as long as it is indicated as net*
- The portion of the ending balance due within one year
- Disclosure of the governmental funds used to liquidate the compensated absence liability *no longer is required*

Long-Term Liabilities Disclosure

The following is a summary of changes in long-term debt and liabilities for governmental activities:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Total Current Liabilities</u>	<u>Total Noncurrent Liabilities</u>
Governmental activities:						
Bonds:						
General obligation bonds	\$ 24,465,000	\$ -	\$ (790,000)	\$ 23,675,000	\$ 410,000	\$ 23,265,000
General obligation premiums	5,532,188	-	(438,612)	5,093,576	-	5,093,576
Revenue bonds	258,437,528	-	(8,482,528)	249,955,000	10,360,000	239,595,000
Revenue premiums	28,177,982	-	(2,840,845)	25,337,137	-	25,337,137
Total bonds	316,612,698	-	(12,551,985)	304,060,713	10,770,000	293,290,713
Notes payable (direct debt)	26,818,004	-	(4,847,349)	21,970,655	4,224,527	17,746,128
Arbitrage rebate payable	21,483	-	(863)	20,620	-	20,620
Capital leases payable	13,016,991	-	(4,030,952)	8,986,039	3,281,696	5,704,343
Compensated absences payable, net	19,763,107	8,025,728	(7,526,917)	20,261,918	9,194,370	11,067,548
Insurance claims payable	14,365,340	31,905,180	(27,302,369)	18,968,151	5,494,657	13,473,494
Net pension liability	104,024,038	552,764	-	104,576,802	-	104,576,802
Net OPEB liability, as restated*	10,028,841	53,794	-	10,082,635	-	10,082,635
Total Governmental Activities	\$ 504,650,502	\$ 40,537,466	\$ (56,260,435)	\$ 488,927,533	\$ 32,965,250	\$ 455,962,283

* Beginning balance was restated in the current fiscal year. See Note Q **** Net of reductions.**

For the governmental activities, compensated absences, pension liabilities and other post-employment benefits are generally liquidated by the General Fund. About 87% has been charged to governmental funds and about 13% to enterprise funds.

Internal service funds predominantly serve the governmental funds. Accordingly, their long-term liabilities totaling \$18.4 million are included as part of the above totals for governmental activities.

Bonds outstanding at September 30, 2021 payable from governmental activities are comprised of general obligation, special obligation and tax increment revenue bonds. These bonds mature in varying amounts during succeeding fiscal years through 2050. Interest rates on these long-term obligation ranges from 4.00% to 5.00% on general obligation bonds, 1.10% to 5.00% on special obligation bonds and 2.25% to 5.68% on tax increment revenue bonds.

Other Disclosures

Revise entry for compensated absences in the summary of significant accounting policies

- Remove items that are no longer relevant, such as vesting policies
- Add new items, such as the flows assumption and, if applicable, that the change in the long-term liability for compensated absences is disclosed as a net amount in the roll-forward note

Report the implementation of Statement 101 as *change in accounting principle* in accordance with Statement 100

- Restate beginning balances and display on the face of the financial statements in the aggregate with other restatements and adjustments, as appropriate
- Disclose the amounts of restatement individually in a tabular format
- Also disclose the nature of the change in accounting principle and affected line items in the financial statements, if any

Questions?



- Today's Presenter -

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