

State of Maine Accounting & Financial Reporting Training (Part 1)

September 29, 2026



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Glossary

ACFR	Annual comprehensive financial report
ADEC	Actuarially determined employer contribution (or ADC)
AICPA	American Institute of Certified Public Accountants
APV	Actuarial present value
BCU	Blended component unit
BTA	Business-type activity
COLA	Cost-of-living adjustment
DB	Defined benefit (pension or OPEB plan)
DC	Defined contribution (pension or OPEB plan)
DPCU	Discretely presented component unit
FNP	Fiduciary net position
FV	Fair value
FY	Fiscal year

Glossary (continued)

FYE	Fiscal year-end
GA	Governmental activity
GAAP	Generally accepted accounting principles
GAAS	Generally accepted auditing standards
GARS	Governmental Accounting Research System™
GASB	Governmental Accounting Standards Board
IG	Implementation Guide
LTERoR	Long-term expected rate of return
MD&A	Management's discussion & analysis
MLTN	More likely than not
NECE	Nonemployer contributing entity
NICA	Net investment in capital assets
NOL	Net OPEB liability
NPL	Net pension liability

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Glossary (continued)

OPEB	Other postemployment benefits
PERS	Public employee retirement system
PG	Primary government
PIR	Post-implementation review
PPP	Public-private or public-public partnership
RSI	Required supplementary information
SBITA	Subscription-based information technology arrangement
SFS	Special funding situation
SI	Supplementary Information
SSAP	Summary of significant accounting policies
TOL	Total OPEB liability
TPL	Total pension liability

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Agenda

Leases, SBITAs, and PPPs: Lessons Learned

Compensated Absences: Lessons Learned

GASB Monitoring Activities

Pension and Other Postemployment Benefits Fundamentals

Financial Reporting Entity Fundamentals

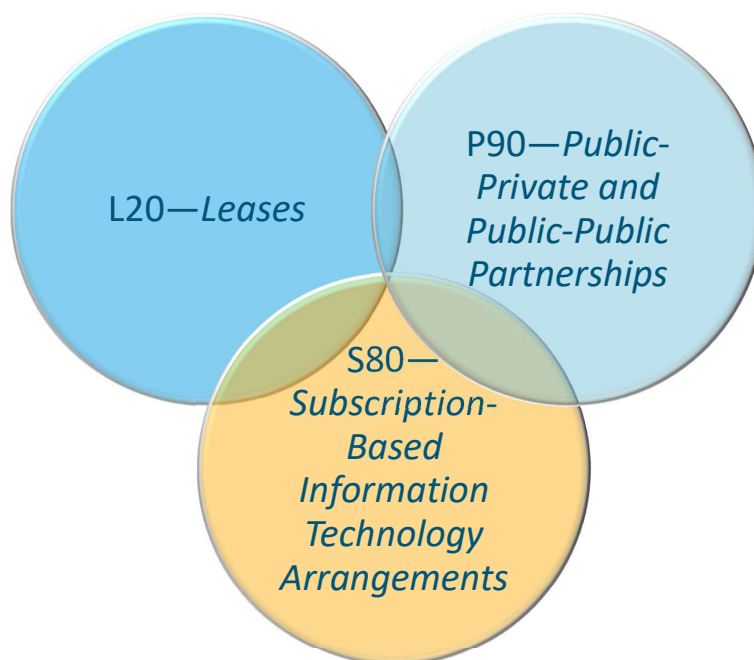
GASB Statements 103, 104, and 105

Common ACFR Deficiencies

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Leases, SBITAs, and PPPs: Lessons Learned

Three Related Codification Sections



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Common Definition Components

A Lease is:	A SBITA is:
A contract	A contract
that conveys control of the right to use another entity's nonfinancial asset (the underlying asset)	that conveys control of the right to use another party's (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (the underlying IT assets)
as specified in the contract	as specified in the contract
for a period of time	for a period of time
in an exchange or exchange-like transaction	in an exchange or exchange-like transaction

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Control of the Right to Use

Control means that the lessee/subscriber has both of the following:

- The right to obtain the present service capacity from use of the underlying assets **as specified in the contract**
- The right to **determine the nature and manner of use** of the underlying assets **as specified in the contract**

“As specified in the contract”

A city leases the ground floor of one of its buildings to a company. The contract states that the company can use the space only for a restaurant.

Question: Does the contract give the company the right to determine the nature and manner of use of the space and, therefore, meet the lease definition?

Answer: Yes. A specification regarding how an asset may or may not be used does not automatically violate the “nature and manner of use” criterion, as long as the lessee can determine the nature and manner of use of the asset *as specified in the contract*. The lessee in this case can determine the nature and manner of use of space *as a restaurant*.

“Determine the nature and manner of use”

A public library district enters into a contract to provide electronic access to The Wall Street Journal via computers in its libraries.

Question: Does the contract give the district the right to determine the nature and manner of use of the electronic version of The Wall Street Journal and, therefore, meet the lease definition?

Answer: The answer depends on the district’s professional judgment whether it has the ability, for instance, to select certain content for reading or to restrict access to certain content, either of which may constitute determining the nature and manner of use.

“Determine the nature and manner of use”

A public library district enters into a contract with a periodical distributor to provide electronic access to over 100 magazines via computers in its libraries.

Question: Does the contract give the district the right to determine the nature and manner of use of the magazines and, therefore, meet the lease definition?

Answer: Again, the answer depends on the district’s professional judgment. Would the ability to select which magazines can be viewed at each library branch, for example, constitute determining the nature and manner of use?

Arrangements with Both Software and Hardware

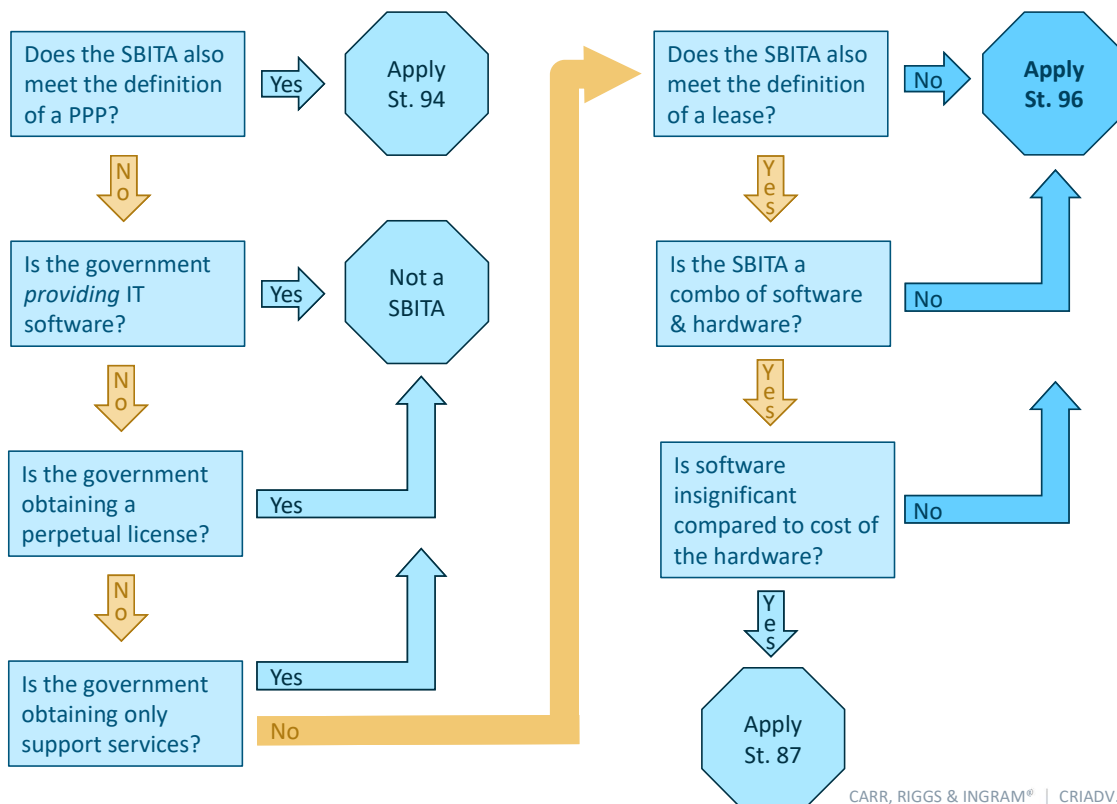
Statement 96 cites computers with operating systems and smart copiers connected to an IT system as examples

Professional judgment is required to evaluate the significance of the software component in relation to the cost of the hardware

A key factor emphasized by the GASB is the requirement that a SBITA convey *control* of the right to use a vendor's IT assets – a contract may provide a subscriber with the right to *use* the assets without providing control

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The Path to Applying Statement 96



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Short-Term Leases & SBITAs

Short-term leases and SBITAs have a maximum possible term of 12 months or less

- Includes noncancellable period and all periods covered by one-party options to extend (one party or the other, but not both), *regardless of the likelihood of the option being exercised*
- Excludes all other periods

For short-term leases and SBITAs, recognize period expense/expenditure based on the provisions of the contract

- Do not recognize liabilities or assets

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Lease/Subscription Term v. Maximum Possible Term



Maximum possible term is for the purpose of determining whether a lease or SBITA is short term



Lease/subscription term is for the purpose of measuring the lease/subscription liability

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Lease/Subscription Term v. Maximum Possible Term

Periods	Maximum Possible Term	Subscription Term
Noncancelable	Included	Included
Either government or vendor has option to extend	Included <u>regardless of likelihood option will be exercised</u>	Included <u>if option is reasonably certain to be exercised</u>
Either government or vendor has option to terminate	Not applicable	Included <u>if option is reasonably certain not to be exercised</u>
Both government and vendor have option to terminate	Excluded	Excluded
Both government and vendor must agree to extend	Excluded	Excluded

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Extensions versus New Contracts

A school district enters into a 12-month contract that states it may renew. If the district decides to renew, it will enter into a separate contract with the other party at a later date for the subsequent 12-month period. Is the existing 12-month contract a short-term lease/SBITA?

- Yes. The maximum possible term *under the contract* is 12 months or less. The district must enter into a new contract; it cannot extend the existing contract.

A school district enters into a 12-month contract with no option to extend. The other party has signed a new contract every year for the past 20 years, and the district expects them to continue to do so. Is this a short-term lease/SBITA?

- Yes. A history or future likelihood of signing *new* contracts are not relevant to determining the maximum possible term.

Automatic Renewals

For SBITAs that renew automatically, how are subscription term and maximum possible term evaluated?

Automatic renewal constitutes an option to terminate that both the government and the vendor can exercise unilaterally – therefore, any period beyond the initial period is cancelable

All other factors being equal, if the initial period is 12 months or less, this is a short-term SBITA

Furthermore, automatic renewals do not constitute a perpetual license, which does not require renewal

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Automatic Renewals (continued)

A town enters into a 12-month SBITA that renews automatically for an additional 12 months at the end of the 12 months and annually thereafter. Is this a short-term SBITA?

- Yes. The maximum possible term is 12 months or less.

A town enters into a 24-month SBITA that renews automatically for an additional 12 months at the end of the 24 months and annually thereafter. Is this a short-term SBITA?

- No. The maximum possible term is greater than 12 months.

Statement 99 Guidance for Leases/SBITAs

An option to terminate is an unconditional right

- Therefore, a provision that gives a party the right to terminate only in certain circumstances or upon the occurrence of certain events, such as the action or inaction of the other party to the contract, is not an option to terminate for purposes of determining the lease/subscription term

A lease/SBITA that previously had been determined to be short term and that has been modified to extend the initial maximum possible term should be reassessed from the *inception* of the lease/SBITA, not from the date of the modification

Statement 99 Guidance for Leases

If a lessee has the option to purchase the underlying asset during the lease term and the contract is not a contract that transfers ownership, the lease term should exclude the period, if any, after the date at which the option is reasonably certain to be exercised

The last sentence of paragraph 12, Statement 87 – “Provisions that allow for termination of a lease due to (1) purchase of the underlying asset, (2) payment of all sums due, or (3) default on payments, are not considered termination options” – is applicable only to the evaluation of contracts that transfer ownership

Recognition

Recognize a lease/subscription liability for installment payments, at start of the lease/subscription term

Recognize an intangible right-to-use asset at the start of lease/subscription term

A SBITA's subscription term starts when the *initial implementation stage* is completed

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Liability Measurement

Present value of the expected payments during the lease/subscription term, including:

- Fixed payments
- Variable payments based on an index or rate, measured using the index or rate as of the start of the lease/subscription term
- Variable payments that are fixed in substance
- Amounts that are reasonably certain of being required to be paid by the lessee under residual value guarantees (leases only)
- The exercise price of a purchase option if it is reasonably certain that the lessee will exercise that option (leases only)
- Termination penalties if the lease/subscription term reflects the lessee/subscriber exercising an option to terminate or a fiscal funding or cancellation clause
- Incentives receivable from the lessor/vendor
- Any other payments to the lessor/vendor that are reasonably certain of being required

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Expected Payments

A SBITA contract requires a municipal hospital to pay \$250 per subscription user above 100. Should that fee be reflected in the subscription liability?

- No. Variable payments should be included only if they are based on an index or rate or fixed in substance.

A SBITA contract requires a municipal hospital to pay a minimum \$50,000 for up to 100 subscription users and an additional \$250 per user above 100. Should either part of that fee be reflected in the subscription liability?

- The \$50,000 represents a variable payment that is fixed in substance and should be reflected in the subscription liability.

Based on CIG Q12.26.2

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Expected Payments (continued)

A SBITA contract requires a municipal hospital to pay \$250 per subscription user. There is no minimum payment required. However, the hospital is reasonably certain of the number of users based on usage of existing software. Should that fee be reflected in the subscription liability?

- No. Even though measurement of the subscription liabilities should include other payments to the vendor that are reasonably certain of being required, this fee is a variable payment based on future performance, which is excluded from the subscription liability.

A water and sewer district enters into 3-year contract for 150 handheld devices that utilize a software for reading meters and transmitting usage information to the district's billing system. The contract requires the district to pay \$200 per device when they are returned at the end of the contract. Should that fee be reflected in the liability?

- Yes. The fee is a payment to the lessor/vendor that is reasonably certain of being required.

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Asset Measurement

Lease asset = the sum of the following:

- Initial measurement of the lease liability
- Payments made to lessor at or before start of the lease term, less any incentives received
- Initial direct costs that are ancillary charges necessary to place the asset into service

Subscription asset = the sum of the following:

- Initial measurement of the subscription liability
- Payments made to vendor at or before start of the subscription term, less any incentives received
- Capitalizable initial implementation costs

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Incentives

Incentives include (1) payments made to or on behalf of the lessee/subscriber for which it has a right of offset with its obligation to the vendor or (2) other concessions granted to the lessee/subscriber

- Incentives are equivalent to rebates or discounts, including paying off the lessee/subscriber's preexisting lease/subscription obligations, free periods, reductions of interest or principal, etc.
- Incentives that provide payments to or on behalf of the lessee/subscriber *before* the lease/subscription term starts reduce the initial measurement of the lease/subscription asset
- Incentives that provide payments *after* the lease/subscription term starts should be incorporated into the measurement of the lease/subscription liability, if the payments are fixed or fixed in substance

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Incentives (continued)

A township receives incentive payments from the lessor/vendor before the lease/subscription term begins. How should those incentive payments be reported?

- Incentive payments received before the lease/subscription term begins reduce any lease/subscription payments the township made before the lease/subscription term begins
- However, if there are no prepayments or the advance incentives exceed the prepayments, the township should report a liability until the term commences, at which time the liability would be reclassified to reduce the asset

Based on CIG Q12.99.1

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Capitalization Policies

Former Q7.9.8 in the *Comprehensive Implementation Guide*

Q—Should a government's capitalization policy be applied only to individual assets or can it be applied to a group of assets acquired together? Consider a government that has established a capitalization threshold of \$5,000 for equipment. If the government purchases 100 computers costing \$1,500 each, should the computers be capitalized?

A—Authoritative pronouncements do not address the manner in which a capitalization policy should be established and applied. Capitalization policies adopted by governments include many considerations such as finding an appropriate balance between ensuring that all significant capital assets, collectively, are capitalized and minimizing the cost of record keeping for capital assets. It may be appropriate for a government to establish a capitalization policy that would require capitalization of certain types of assets whose individual acquisition costs are less than the threshold for an individual asset. Computers, classroom furniture, and library books are assets that may not meet the capitalization policy on an individual basis, yet might be considered material collectively.

Capitalization Policies (continued)

Current Q7.9.8 in the *Comprehensive Implementation Guide*

Q—Should a government's capitalization policy be applied only to individual assets or can it be applied to a group of assets acquired together? Consider a government that has established a capitalization threshold of \$5,000 for equipment. If the government purchases 100 computers costing \$1,500 each, should the computers be capitalized?

A—Capitalization policies adopted by governments include many considerations such as finding an appropriate balance between ensuring that all significant capital assets, collectively, are capitalized and minimizing the cost of recordkeeping for capital assets. A government should capitalize assets whose individual acquisition costs are less than the threshold for an individual asset if those assets in the aggregate are significant. Computers, classroom furniture, and library books are examples of assets that may not meet a capitalization policy on an individual basis, yet could be significant collectively. In this example, if the \$150,000 aggregate amount (100 computers costing \$1,500 each) is significant, the government should capitalize the computers.

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Capitalization Policies & Leases/SBITAs

Lease or SBITA liabilities that are significant individually or in the aggregated should be recognized regardless of whether the related lease asset or subscription asset meets an established capitalization policy

When applying a capitalization threshold to leases or SBITAs, consider the quantitative and qualitative significance of the liability, in addition to the significance of the asset (see CIG Q7.4.1)

Subsequent-Period Reporting

Report the amortization of the discount on the lease/subscription liability as interest expense/expenditure

- Lease/subscription payments should be allocated first to the accrued interest liability before the lease/subscription liability

Amortize the lease/subscription asset in a systematic and rational manner over the shorter of the lease/subscription term or the useful life of the underlying assets

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Interest Expense

A county enters into a 5-year lease/SBITA and makes payment in full at or before the start of the lease/subscription term. Should the county report interest expense during the term of the lease?

- No. The county would not recognize a liability and, therefore, there is nothing to charge interest against.

A county enters into a 5-year lease/SBITA and makes payment for the first two years at or before the start of the lease/subscription term. Should the county report interest expense during the term of the lease?

- Yes. Interest expense is the amortization of the discount on the lease liability and should be amortized over the entire lease term, including each of the initial years during which the county is not making payments. The interest liability will continue to accrue until the county starts making payments.

Based on CIG Q12.21.1 and Q12.21.1

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Lessor Recognition

Recognize a lease receivable for installment payments, at start of the lease term

Recognize deferred inflow of resources at the start of lease term

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Receivable Measurement

Present value of the expected payments during the lease term, including:

- Fixed payments
- Variable payments based on an index or rate, measured using the index or rate as of the start of the lease term
- Variable payments that are fixed in substance
- Termination penalties if the lease term reflects the government exercising an option to terminate or a fiscal funding or cancellation clause
- Residual value guarantee payments that are fixed in substance
- Any lease incentives payable to the lessee

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Deferred Inflow Measurement

Deferred inflow = the sum of the following:

- Initial measurement of the lease receivable
- Lease payments received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term

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Subsequent Period Reporting

Report the amortization of the discount on the lease receivable as interest revenue

Lease payments should be allocated first to the accrued interest receivable and then to the lease receivable

Amortize the deferred inflow in a systematic and rational manner over the lease term

Continue to apply relevant standards to the leased asset, including depreciation

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Amortization

Can methodologies other than the interest method, such as straight-line amortization, be used to amortize the discount on lease receivables?

- No. Lease receivables should be amortized using the interest method.
- The interest method amortizes a discount “as interest . . . revenue over the life of the note in such a way as to result in a constant rate of interest when applied to the amount outstanding at the beginning of any given period” (Statement 62, paragraph 185)
- Although lessors are allowed but not required to apply the guidance for imputation of interest, that option applies to determining the interest rate for discounting, not to the *method of amortizing* the discount

Modifications and Terminations

An amendment should be considered a modification unless the lessee's/ subscriber's right to use the underlying asset decreases, in which case the amendment should be considered a partial or full termination

Exercising an existing option, such as an option to extend or terminate, is subject to the guidance for remeasurement

An amendment resulting in a modification should be accounted for as a separate lease/SBITA if both of the following conditions are present:

- The modification gives the lessee/subscriber an additional asset by adding one or more underlying assets that were not included in the original contract
- The increase in payments for the additional asset does not appear to be unreasonable based on (1) the terms of the amended contract and (2) professional judgment, maximizing the use of observable information (for example, using readily available observable stand-alone prices)

Modifications and Terminations (continued)

While a contract is in effect, the provisions are amended to change the number of assets (e.g., vehicles or computers) included. Are additions and subtractions of underlying assets accounted for as a modification or a termination?

- An amendment that adds an underlying asset to the contract is a modification and should be accounted for as either a separate lease/SBITA (if it meets the criteria) or a remeasurement of the existing lease/SBITA
- An amendment that removes an underlying asset from the contract should be accounted for as a partial lease termination

Based on CIG Q12.106.1

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Modifications and Terminations (continued)

If not a new lease/SBITA, a lessee/subscriber:

- Remeasures the liability and adjusts the asset by the difference between the remeasured liability and the liability immediately before the modification
- If the change reduces the carrying value of the asset to zero, any remaining amount should be reported as a gain

If not a new lease, a lessor:

- Remeasures the receivable and adjusts the deferred inflow by the difference between the remeasured receivable and the receivable immediately before the modification
- To the extent that the change relates to payments for the current period, the change should be recognized as revenue or expense for the current period

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Modifications

Halfway through a 10-year lease, a lessor remeasures the lease receivable from \$500,000 to \$10,000, due to a reduction in the lease term. The related deferred inflow of resources balance at that date is \$480,000. How does the remeasurement of the lease receivable affect the measurement of the remaining deferred inflow of resources?

- The deferred inflow generally should be adjusted by the same amount as the receivable, unless it reduces the carrying value of the deferred inflow to zero, in which case the remaining amount should be reported as a loss
- The lessor should reduce the lease receivable by \$490,000 and the deferred inflow of resources by \$480,000 and recognize loss of \$10,000

Based on CIG Q12.80.1

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Modifications (continued)

A 10-year contract includes an option to extend for 5 years if both parties agree. Because both parties have to agree to extend, this is a cancellable period and, therefore, is excluded from the lease/subscription term. If, during the term, the parties agree to extend the contract for five years, should this be accounted for as a modification or as a new lease/SBITA?

- Because both parties have to agree to the optional five-year period, it is considered cancellable and, therefore, not subject to the lease/subscription term reassessment guidance
- However, once the parties agree to exercise the option to extend, the five-year period becomes noncancellable and should be accounted for as a modification

Based on CIG Q12.106.2

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Terminations

Two years into a 10-year lease/SBITA, the lease/subscription term is reduced to 5 years. At the time of the amendment, the carrying value of the liability is \$80,000, and the carrying value of the asset is \$76,000. How should the lessee/subscriber account for the partial termination of the lease?

- The lessee/subscriber should reduce the carrying values of the liability and the asset
- For example, if the lessee/subscriber determines that the remeasured liability is \$50,000, the liability and the asset each should be reduced by \$30,000

Two years into a 10-year lease, the remaining lease agreement is cancelled. The carrying value of the lease receivable is \$80,000, and the related deferred inflow of resources is \$76,000. How should the lessor account for the full termination of the lease?

- The carrying value of the lease receivable and the related deferred inflow should be eliminated
- A loss of \$4,000 should be recognized in accrual statements and an other financing use should be recognized in governmental funds

Based on CIG Q12.115.1 and Q12.116.1

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Effects of Modifications and Terminations

Additions for liabilities and assets for new leases/SBITAs or modifications will match unless there are additional costs to place the right-to-use assets in service

Additions for receivables and deferred inflows for new leases or modifications will match unless there are additional costs to place the right-to-use assets in service

Deductions for liabilities and assets due to terminations and modifications may not match because the pace of amortization of the asset may not be the same as the retirement of liability

Deductions for receivables and deferred inflows due to terminations and modifications may not match because the pace of amortization of the deferral may not be the same as the reduction of the receivable

Be sure to test not just the new leases but also the modifications and terminations and to document that testing

Reflecting Modifications and Terminations in Notes

In the capital asset roll forward, the effects of modifications and terminations should be reflected in the additions and deductions for the current period, along with the effects of new leases and SBITAs (additions) and concluded leases and SBITAs (deductions)

- Otherwise, the beginning and ending balances will not tie

In the long-term liabilities roll forward, the effects of modifications and terminations should be reflected in the additions and deductions for the current period, along with the effects of new leases and SBITAs (additions) and concluded leases and SBITAs (deductions)

- Otherwise, the beginning and ending balances will not tie

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Lessor Termination Example

July 2022: Government enters into a contract as lessor, with a lease term of 35 years (until 2056)

- Annual payments of \$120,000

June 2026: Contract is terminated

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	Debit	Credit
Lease receivable	\$2,253,250	
Deferred inflows of resources—Leases		\$2,253,250
<i>Inception of the lease—July 2022</i>		
Cash	120,000	
Lease receivable		120,000
<i>Annual payment—2022</i>		
Deferred inflows of resources—Leases	64,379	
Revenue—Leases		64,379
<i>Amortization of the deferred inflow—2022</i>		
Cash	120,000	
Revenue—Lease interest		91,005
Lease receivable		28,995
<i>Annual payment—2023</i>		
Deferred inflows of resources—Leases	64,379	
Revenue—Leases		64,379
<i>Amortization of the deferred inflow—2023</i>		

Lessor Termination Example (continued)

Through the termination date:

Reduction in lease receivable	\$243,616
Reduction in deferred inflow	321,893
Lease receivable balance	2,009,634
Deferred inflow balance	1,931,357

	Debit	Credit
Deferred inflows of resources—Leases	\$1,931,357	
Gain on lease termination	78,277	
Lease receivable		\$2,009,634
<i>Termination of lease—June 2026</i>		

Lessee/Subscriber Modification Example

January 2024: Government enters into a contract as lessee, with a lease term of 10 years

- The government has an option to cancel the last 3 years but, at inception, is reasonably certain it will not exercise it
- Annual payments of \$200,000

December 2026: Government notifies the lessor of its intention to cancel the final 3 years

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	Debit	Credit
Capital assets—Intangible right-to-use lease asset	\$1,757,222	
Lease liability		\$1,757,222
<i>Inception of the lease—January 2024</i>		
Lease liability	200,000	
Cash		200,000
<i>Annual payment—2024</i>		
Expenses—Leases	175,722	
Accumulated amortization		175,722
<i>Amortization of the lease asset—2024</i>		
Lease liability	153,283	
Expenses—Lease interest	46,717	
Cash		200,000
<i>Annual payment—2025</i>		
Expenses—Leases	175,722	
Accumulated amortization		175,722
<i>Amortization of the lease asset—2025</i>		

Lessee/Subscriber Modification Example

As of the end of 2026:

Reduction in lease liability	\$511,165
Accumulated amortization	527,166
Lease liability balance	1,403,939

Remeasurement:

Remaining lease liability	\$1,083,438
Remeasured lease liability	743,420
Difference	–340,015

	Debit	Credit
Lease liability	\$340,015	
Capital assets—Intangible right-to-use lease asset		\$340,015
<i>Modification of lease—December 2024</i>		

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Lessee/Subscriber Termination Example

Assume instead that at the end of year 7, the government notifies the lessor of its intention to cancel the final 3 years

As of the end of 2030:

Reduction in lease liability	\$1,191,500
Accumulated amortization	1,230,054
Lease liability balance	565,722

	Debit	Credit
Lease liability	\$565,722	
Accumulated amortization	1,230,054	
Capital assets—Intangible right-to-use lease asset		\$1,757,222
Gain on lease termination		38,554
<i>Termination of lease—December 2030</i>		

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Compensated Absences: Lessons Learned

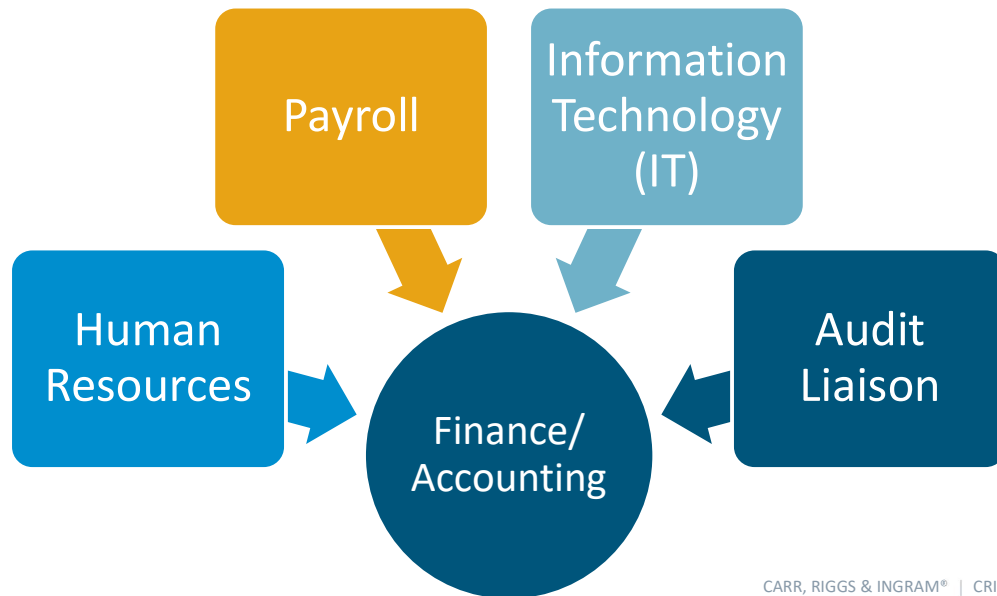


Key Differences in Statement 101

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

GASB 101 Team

Key members of team extend beyond the financial reporting function

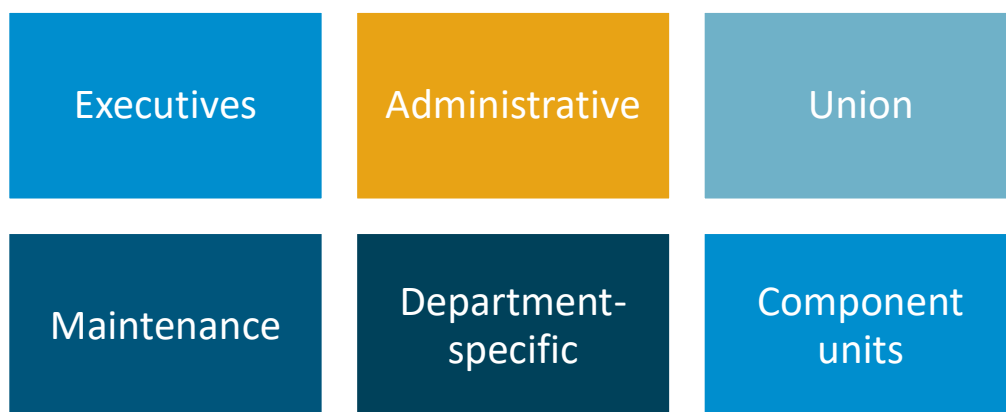


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Types of Compensated Absences Offered

Types of compensated absences provided

Types of employees these compensated absences are provided to:



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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

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Some* Examples of Types of Paid Leave

Adverse weather leave	Paid time off (PTO)
Annual leave	Parental leave
Bereavement leave	Personal leave
Bereavement leave – pets	Religious observance
Caregiving leave	Sabbatical leave
Compensatory leave	Short-term disability leave
Domestic violence leave	Sick leave
Election day (voting) leave	Study leave
Floating holidays	Time off for protests
Holiday leave	Time off in lieu (TOIL)
Jury duty	Unlimited leave
Long-term disability leave	Vacation leave
Medical leave	Volunteer time off
Military leave	Witness leave

*An exhausting list but not exhaustive

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Excluded: Leave Converted to 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

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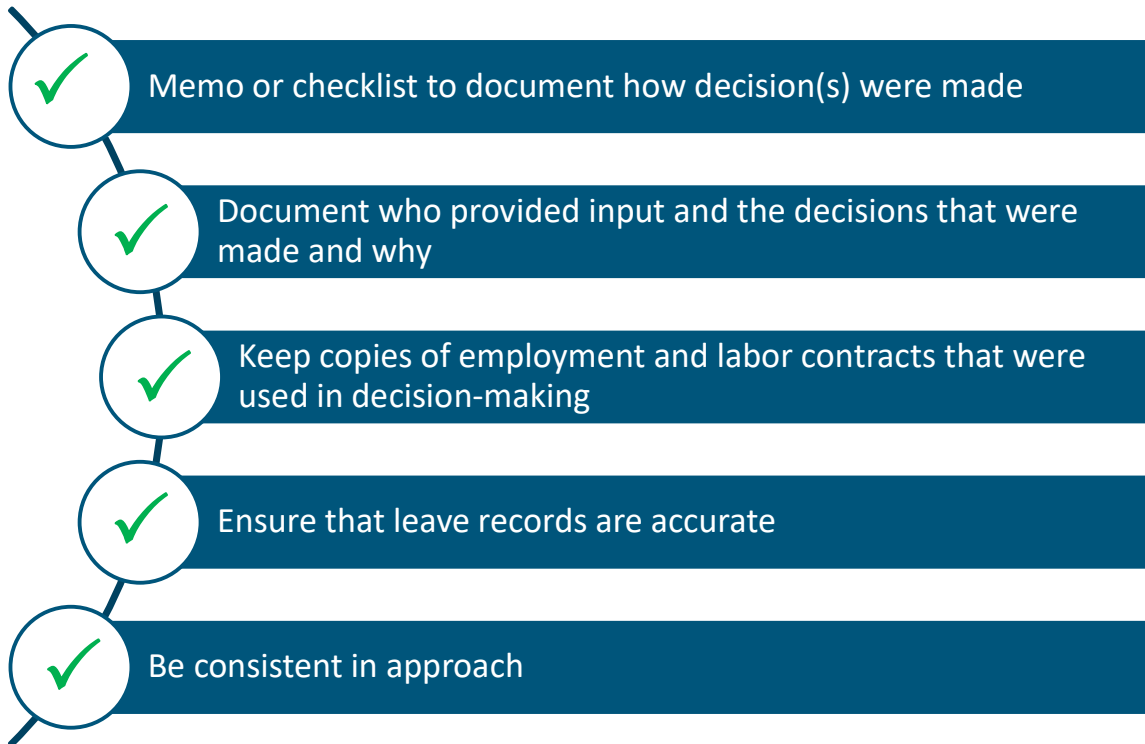
Wide Range of Sources

Policies, employee handbooks, and agreements (labor, union, or other special agreements and individual contracts)

- Limit on accruals
- Carryover provisions
- Payout provisions upon termination/retirement (including limits)
 - Police/Fire can amount to large payouts when they enter a DROP program
- Special circumstances that require approval and whether there are employees which this applies to

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Recordkeeping and Documentation



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Leave Activity Reports

Focus on reports that provide as much information on leave activity as possible

- Reports with beginning leave balances, leave used, leave paid out, leave forfeited, ending balance
- Reports with employee information, department, years of service, etc.

Custom reports may already be built by accounting software provider or through software support

Work with Human Resources and IT department to gather necessary data

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Leave Activity Reports – Completeness

Completeness of reports is KEY!

How to approach completeness determination?

- Typically, leave balances should be regularly reconciled to ensure balances are accurate
- HR/payroll system data should be reconciled to excel sheets
- Payroll registers may report pay data in the form of types of pay, e.g., regular pay, bonus pay, PTO, sick, vacation, etc.
- Reconcile data to leave reports to ensure completeness

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Leave Activity Reports – Historical information

How many years of historical information is needed?

- GASB 101 does not specify a specific number of years
- Requires professional judgment
- Most local governments are using 3–5 years of experience
- Depends on facts and circumstances of specific conditions
- Will need more years if presenting comparative statements

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Leave Activity Considerations

Large variations across governments in types of leave provided and when leave is given and used by employees

Question to ask:

- Is the leave earned and used during the calendar year, fiscal year or anniversary date?

Decisions to make:

- Continue with the various dates or
- Work with HR to streamline and make changes to the dates to be more in line with other types of leave

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Identifying Pay Rates

Determine pay rates to be used and gather the data necessary to match the leave activity reports in the previous steps

HR policies, union agreements or other arrangements may stipulate different pay rates for leave paid at termination

Leave that is used/taken during employment is usually paid at standard pay rates

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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

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Implementation Guidance

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

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

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

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

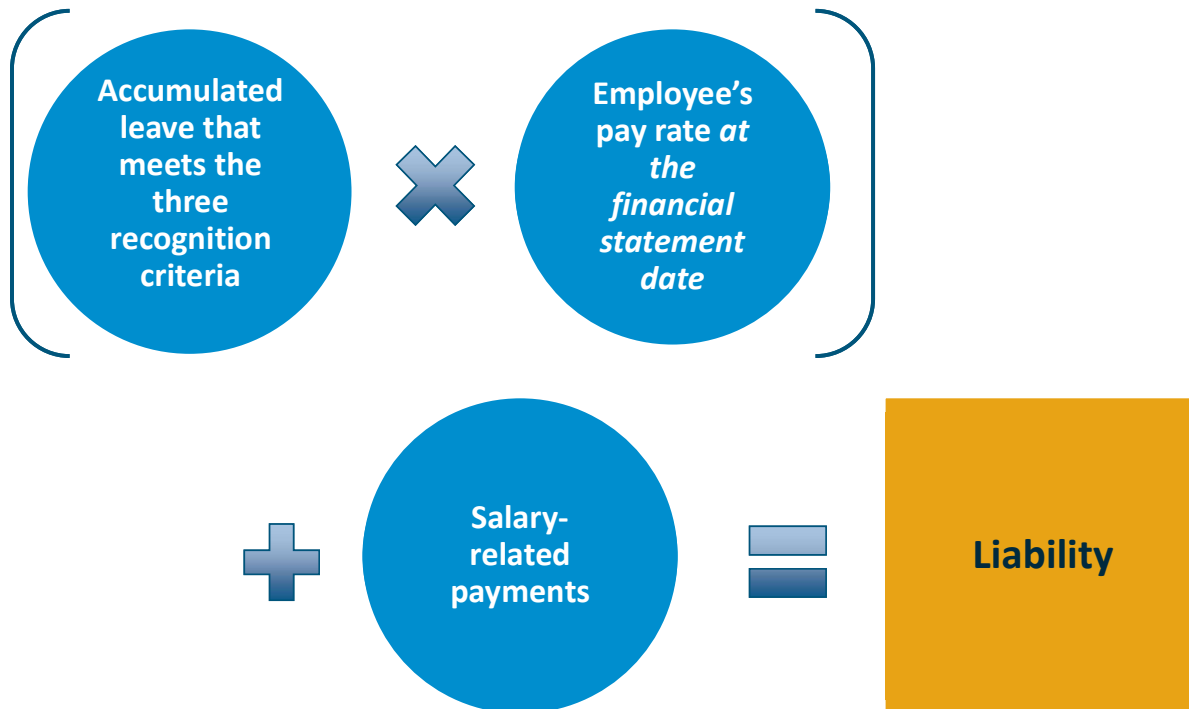
Covered by the general approach

- 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

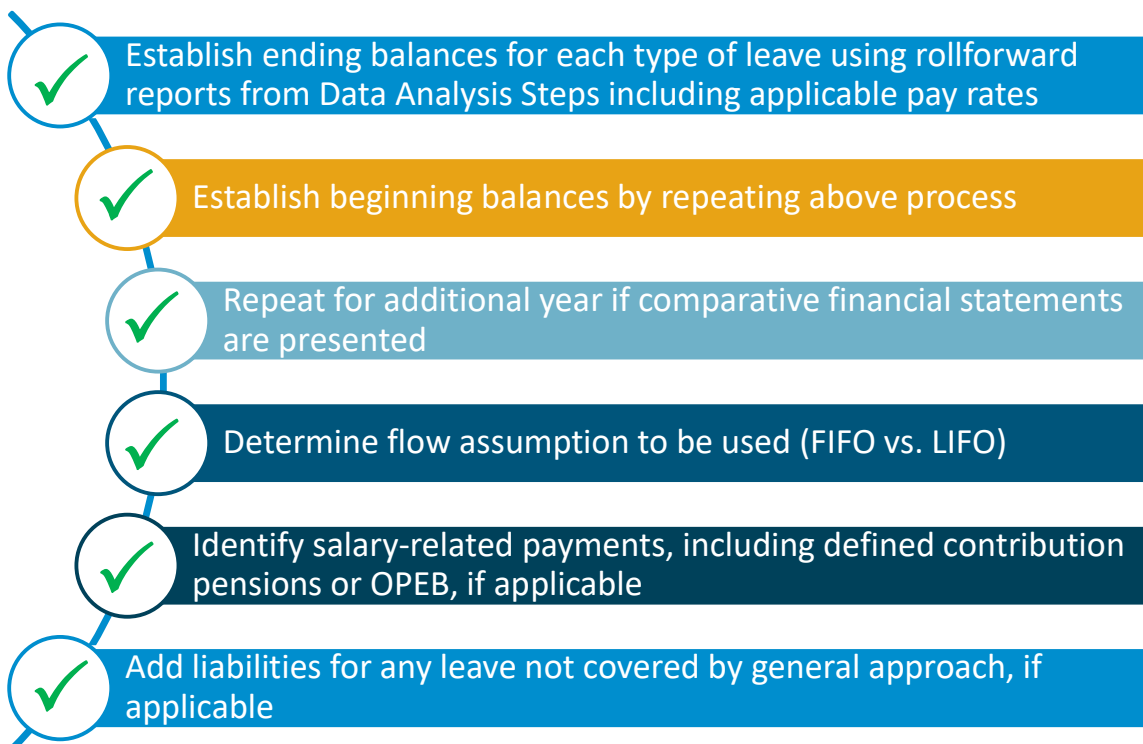
- Parental leave
- Military leave
- Jury duty
- Other leave that depends upon the occurrence of a sporadic event that affects a relatively small proportion of employees
- Unlimited leave
- Holiday leave that is taken on a specific date not at the employees' discretion

General Approach to Measurement



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Analysis and Calculation Steps



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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)

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Simple Flow Assumption Example

Government with a December 31 FYE

Employee earns 12 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

Source: Originally based on a GFOA presentation

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Flow Assumption Example (continued)

Days of Sick Leave Earned/Used

Fiscal Year	2021	2022	2023	2024	2025	2026
Leave earned	12	12	12	12	12	12
Leave used (FIFO)	12	3				
Leave used (LIFO)					3	12

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 3 days earned in 2026 and 12 earned in 2025 = 15 days already earned as of FYE 12-31-25 ⇒ only 3 days included in the liability

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Flow Assumption Considerations

FIFO flow assumption – results in a higher compensated absence liability

Assumes a larger portion of all leave expected to be taken in the future has already been earned as of the end of the period

LIFO flow assumption – results in a lower compensated absence liability

Assumes most of or even all leave that will be taken in the future will be leave that has not yet been earned and thus leave for which the government does not have a liability at year end

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Flow Assumption Considerations (cont'd)

Be careful on what flow assumption you decide to use because there might be different levels of usage by different groups of employees

Remember you must be able to document how you came up with your assumptions

The flow assumption is not specified in GASB 101 or any other authoritative guidance

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Flow Assumption Considerations (cont'd)

Double check for existing policy

- HR policy
- Labor agreements (union contracts)
- Accounting policies

Look at past practice

Ensure that policies do not change frequently

Use historical information about leave usage

Good idea to check with your auditors before implementation

- However, you own the process, not the auditors – you just need their buy-in

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Detailed Example 1

A school district accrues local leave days and these days accumulate.

Local leave days are not paid at retirement.

Prior to the adoption of GASB 101 – local leave days were excluded from compensated absences.

The District determines they are using the LIFO flow assumption.

What is more likely than not to be used in the future?

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Detailed Example 1 (continued)

	2025
Ending local leave days	1,975
Historical average local days earned	2,530
MLTN to be used in future	83.3%
Days for compensated absences under LIFO	0

	Beg. Bal	Earned	Used	Forfeited	End. Bal
FY 2025	1,835	2,500	(2,350)	(10)	1,975
FY 2024	1,865	2,550	(2,565)	(15)	1,835
FY 2023	2,040	2,540	(2,690)	(25)	1,865
FY 2022	2,030	2,530	(2,510)	(10)	2,040

Beg. Bal	2,030
Days earned	10,120
Total available	12,150
Total used	10,115
% used over 4 yr period	83.3%
MLTN	1,645

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Detailed Example 2

A City accrues annual leave up to 90 days, then anything over credits to sick leave

Any annual leave balance is paid out at termination

Any sick leave balance is converted to cash at termination and paid out on an ascending scale based on # of days (1-100 Days – 20%, 101-200 Days – 25%, 201-300 Days – 33%, 301-400 Days – 50%, 401+ Days – 100%)

The City determines they are using the FIFO flow assumption

Accrued annual and sick leave as of 12/31/23 prior to adoption of GASB 101 is \$62,809,000

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Detailed Example 2 (continued)

Original Calculation Performed	Likely to be Used	Likely to be Paid	Total
Annual leave balances (in hours)	469,714	436,160	905,874
Annual leave liability (in \$)	\$12,038,765	\$44,715	\$12,083,480

Calculation After Further Review	Likely to be Used	Likely to be Paid	Total
Annual leave balances (in hours)	453,695	421,288	874,983
Annual leave liability (in \$)			\$28,094,072

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Detailed Example 2

Original Calculation Performed	Likely to be Used	Likely to be Paid	Total
Sick leave balances (in days)	201,599	54,636	256,235
Sick leave liability (in \$)	\$41,335,859	\$11,202,635	\$52,538,494

Calculation After Further Review	Likely to be Used	Likely to be Paid	Total
Sick leave balances (in days)	164,288	33,982	198,270
Sick leave liability (in \$)			\$62,284,944

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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

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Salary-Related Payments (incl. DC Contributions)

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

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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*
 - ***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*

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Long-Term Liabilities Disclosure

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

	Beginning Balances	Additions	Reductions	Ending Balances	Total Current Liabilities	Total Noncurrent Liabilities
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	9,194,378	11,067,540
Insurance claims payable	14,365,340	31,905,180	(27,302,389)	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.

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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 flow 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

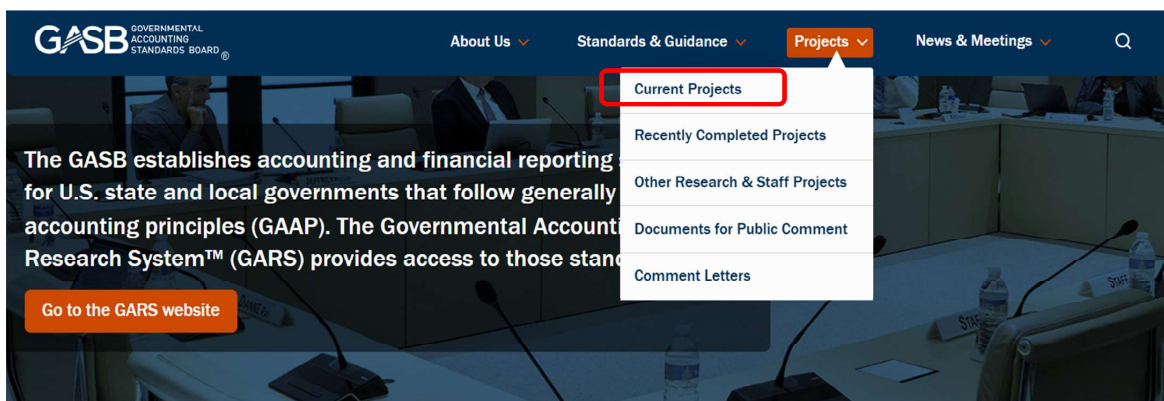
- Restate beginning balances and display on the face of the financial statements in the aggregate with other restatements and adjustments, as appropriate
- Disclose the amounts of restatement individually in a tabular format
- Also disclose the nature of the change in accounting principle and affected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

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GASB Monitoring Activities



The GASB Technical Plan



2026 Implementation Guidance Update



Feedback Sought on Structural Design of a Voluntary Digital Taxonomy



The GASB Technical Plan

[Home](#) > [Projects](#) > Current Projects

Current Projects

The technical plan overview below provides basic information about current GASB projects and pre-agenda research at a glance. For more detailed information about an individual project, click on the project name in the tables below. The GASB's full Technical Plan, which provides complete information about all GASB projects, is updated three times per year and also is available.

[Access GASB's Full Technical Plan](#)

[All Projects](#) [Standard Setting](#) [Conceptual Framework](#) [Pre-Agenda Research](#) [Post-Implementation Review](#) [Technology](#)

Standard Setting	Next Milestone	Expected Date
Going Concern Uncertainties and Severe Financial Stress	Exposure Draft	2Q2027
Infrastructure Assets	Final Document	2Q2027
Revenue and Expense Recognition	Exposure Draft	3Q2027

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The GASB Technical Plan

[Home](#) > [Archive](#) > Technical Plans

Technical Plans

The GASB's technical plan describes specific projects, pre-agenda research, monitoring activities, post-implementation reviews, and their priorities. The full plan, which is split in to three sections, is reviewed by the board three times per year and must be approved by a majority of the GASB members. Plans for 2021 and later are available from the table below.

Year	Available Plans		
2026	First Third	Second Third	Final Third
2025	First Third	Second Third	Final Third

[Home](#) > [Archive](#) > [Technical Plans](#) > Final Third of 2026 Technical Plan

Final Third of 2026 Technical Plan

- [Project Overviews and Work Plans](#)
- [Background and Historical Material](#)
- [Potential Topics](#)

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Contents of the GASB's Technical Plan

Standards-setting projects

- Comprehensive projects
- Major projects
- Practice issues
- Conceptual framework

Pre-agenda research

Technology project

Monitoring activities

Post-implementation review (PIR)

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Monitoring Activities

Monitoring Activities

Monitoring Activities	Staff Assigned
AICPA Auditing Standards	Czerkawski
Environmental Credits	Venkanova, Migliaccio, Petkov, Turner
Environmental, Social, and Governance Reporting	Pollock, Debbink, LeMoine
Emerging Accounting Issues	Skelton
GAAP Utilization	Waymire, Petkov, Turner
Use of Technology in Governments	Skelton, Debbink, Hill

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AICPA Auditing Standards

Monitoring the effect of potential or proposed changes in generally accepted auditing standards (GAAS) established by the American Institute of Certified Public Accountants (AICPA) on the state and local government environment

Provides the GASB with a basis for evaluating the need to consider modifying accounting and financial reporting standards as a result of any potential or proposed changes to GAAS by the AICPA

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Environmental Credits

Consider the need to develop specific standards for environmental credits programs, such as emissions trading, that are administered by state and local governments

If additional guidance is needed, develop recognition and measurement alternatives and potential disclosures

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Environmental, Social & Governance Reporting

Monitor the development of governments' activities surrounding ESG reporting

Monitor the development of guidance in this area by other standard setters

In May 2022, published "Intersection of Environmental, Social, and Governance Matters with Governmental Accounting Standards"

- <https://bit.ly/4hoqCr9>

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GAAP Utilization

Update the research completed in early 2025 related to state requirements for financial reporting frameworks for governments and the modeling of GAAP choice based on specified determinants

Financial Reporting Framework Requirements for State and Local Governments:
Evaluating GAAP Choice (<https://bit.ly/4ACDyTe>)

GAAP Utilization Research Summary (<https://bit.ly/4hrtJyu>)

Staff is continuing to search for requirements for other special districts in 20 remaining states for which requirements were not previously found

Staff is also evaluating whether additional determinants of GAAP reporting should be considered for including in the model

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Use of Technology in Government

Monitor the use of technology in governmental financial reporting

Initially began in 2000, shortly after Statement 34 was issued, and was called “Electronic Financial Reporting”

Name changed when the GASB initiated its Voluntary Digital Financial Reporting project

Pension & OPEB Fundamentals

Background

Pension & OPEB Standards

Employer pension reporting: GASB Statement 68

- Issued June 2012, effective June 30, 2015, and later

Employer OPEB reporting: GASB Statement 75

- Issued June 2015, effective June 30, 2018, and later

Related pronouncements:

- Statement 67: pension plan reporting
- Statement 71: contributions after the measurement date
- Statement 73: pensions not in the scope of 67/68 and amendments
- Statement 74: OPEB plan reporting
- Statement 78: Taft-Hartley and similar plans
- Statement 82: pension issues
- Statement 85: omnibus
- Four Implementation Guides

The Standards in the GASB Codification

Section P20: DB pensions in qualifying trusts

Section P21: DC pensions in qualifying trusts

Section P22: DB pensions not in qualifying trusts

Section P23: DB pension assets not in qualifying trusts

Section P24: DC pensions not in qualifying trusts

Section P50: DB OPEB in qualifying trusts

Section P51: DC OPEB in qualifying trusts

Section P52: DB OPEB not in qualifying trusts

Section P53: DB OPEB assets not in qualifying trusts

Section P54: DC OPEB not in qualifying trusts

Section Pe5: DB pension plan reporting

Section Pe6: DC pension plan reporting

Section Po50: DB OPEB plan reporting

Section Po51: DC OPEB plan reporting

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Structure within Section P20

- Scope and applicability
- Types and number of plans and employers
- Special funding situations—defined
- Defined benefit pensions*
 - Liabilities to employees
 - Single and agent employers
 - Recognition and measurement in accrual statements without a special funding situation (many subparagraphs)
 - Recognition and measurement in accrual statements with a special funding situation
 - Recognition and measurement in modified accrual statements
 - Notes (multiple subparagraphs)
 - RSI (multiple subparagraphs)

*Technically, plans that don't meet the definition of a plan described in Statement 78

Structure within Section P20 (continued)

- Cost-sharing employers*
 - Recognition and measurement in accrual statements without a special funding situation (many subparagraphs)
 - Recognition and measurement in accrual statements with a special funding situation
 - Recognition and measurement in modified accrual statements
 - Notes (multiple subparagraphs)
 - RSI (multiple subparagraphs)
- Special funding situations
 - Single and agent employers (many subparagraphs)
 - Cost-sharing employers* (many subparagraphs)
- Governmental nonemployer contributing entities (many subparagraphs)
- NECEs whose obligation is not a special funding situation

*Technically, plans that don't meet the definition of a plan described in Statement 78

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Structure within Section P20 (continued)

- Payables to a DB plan* (multiple subparagraphs)
- DB plans that meet the definition of a plan described in Statement 78 (multiple subparagraphs)

*Technically, plans that don't meet the definition of a plan described in Statement 78

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GASB Post-Implementation Review (PIR)

Starting with the issuance of the standards in 2012 and ending with a report in 2023, the GASB evaluated the experience in practice with their implementation and ongoing application

- Issued two Implementation Guides with 371 Q&As and published or amended another 84 in other IGs
- Issued Statements 71, 78, and 82 to address practice issues
- Made over 350 presentations and answered over 2,100 technical inquiries
- Conducted research with over 330 preparers, auditors, and users
- Analyzed the financial statements of and surveyed 102 pension plans and 236 governments participating in 456 plans

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GASB Pensions PIR (continued)

GASB concluded that overall, Statements 67 and 68 resolved the primary issues that prompted their issuance, and that they were functioning properly in practice

Due to the complexity of the standards, there continues to be disagreement among stakeholders regarding key aspects

- However, those areas of disagreement were considered during the development of the standards

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GASB Pensions PIR (continued)

A number of areas of concern were identified by stakeholders, including:

- Layering of annual deferrals
- Closed and frozen plans
- Volatility in the measurement of the liability from year to year resulting from (among other things) changes in investment fair values moving the crossover point, and estimations of and changes in cost-sharing proportionate shares
- Determining which factors between the actuarial valuation and measurement dates require update procedures
- Distinguishing between qualified trusts and equivalent arrangements
- Determining how and when to choose a 20-year municipal bond rate
- Determining when ad hoc COLAs are substantively automatic

Those issues generally were expected

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GASB Research on Pension & OPEB Notes

GASB Concepts Statement 7 on notes to financial statements expanded on the criteria the GASB uses when deciding whether governments should be required to disclose information

- “Notes to financial statements are essential to users in making economic, social, or political decisions or assessing accountability”
- “Essential” information meaningfully affects users’ analyses and is utilized by a breadth or depth of users

This research is reviewing existing pension and OPEB disclosure requirements for their consistency with Concepts Statement 7

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Pensions & Other Postemployment Benefits

Pensions are:

- Retirement income
- Postemployment benefits provided through a pension plan other than postemployment healthcare benefits – e.g., life insurance, disability, death benefits

Other postemployment benefits (OPEB) are:

- Benefits other than retirement income
- Provided separately from a pension plan

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Defined Contribution (DC) Plans

Provide an individual account for each employee

Define the contribution that an employer is required to make (or credits to provide) to an active employee's account

Provide benefits that depend solely on:

- Contributions (credits) to the employee's account
- Earnings on the investment of those contributions
- Effects of forfeitures made for other employees, and
- Plan administrative costs allocated to the employee's account

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Defined Benefit (DB) Plans

Plans that do not meet the criteria of a DC plan are considered DB plans

A DB plan specifies the income or other benefits that an employee will receive at or after separation from employment

Income or benefits to be received may be stated as a specified dollar amount or an amount calculated based on one or more factors (e.g., age, years of service, compensation, etc.)

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Single- and Multiple-Employer Plans

A **single-employer plan** provides benefits to the employees of only one employer

Employer is defined to include a primary government and its component units

A **multiple-employer plan** provides benefits to the employees of more than one employer

An **agent multiple-employer plan** pools assets for investment purposes but maintains separate accounts for each individual employer – benefits are paid to employees only from their employer's account

A **cost-sharing multiple-employer plan** pools assets for both investment purposes and to pay the benefits of employees of any participating employer

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“Qualified” or “Qualifying” Trusts

The applicable standards depend in part on whether the plan is administered through a trust (or equivalent arrangement) that meets all three of the following criteria:

- Contributions to the plan from employers and nonemployer contributing entities and earnings on those contributions are irrevocable
- Plan assets are dedicated to providing benefits to plan members
- Plan assets are legally protected from creditors of the employers, nonemployer contributing entities, plan administrator, and (for DB plans) members

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Special Funding Situations

A special funding situation involves an entity other than the employer (the nonemployer contributing entity or NECE) is legally responsible for contributing directly to a plan for another entity’s employees, if either of the following criteria are met:

- The NECE is the only entity legally required to make contributions directly to the plan, *and/or*
- Contributions are not dependent on events or circumstances unrelated to the pensions (e.g., the NECE must contribute a specific percentage of the employer’s payroll or required contributions)

The standards address these circumstances from the perspectives of both the employer and the NECE

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Sources of the Total Pension/OPEB Liability

Total pension/OPEB liability arises from the promise to make pension payments to retirees and premium payments to insurance companies on behalf of retirees

Similar to a bond – liabilities are derived from a stream of future cash-flows

Unlike a bond – future pension/OPEB cashflows are not pre-determined

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Pensions vs. OPEB

Similarity: Pensions and OPEB provide benefits after retirement

Unlike OPEB, pension benefits are typically well defined in advance

Pensions are more likely to be legally required than OPEB

OPEB may include a well-defined direct premium subsidy in addition to implicit subsidies

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OPEB: Implicit Subsidy Example

Assume Average Blended Annual Cost: \$9,000

Average Annual Retiree Cost: \$14,495 or 161% of the blended average

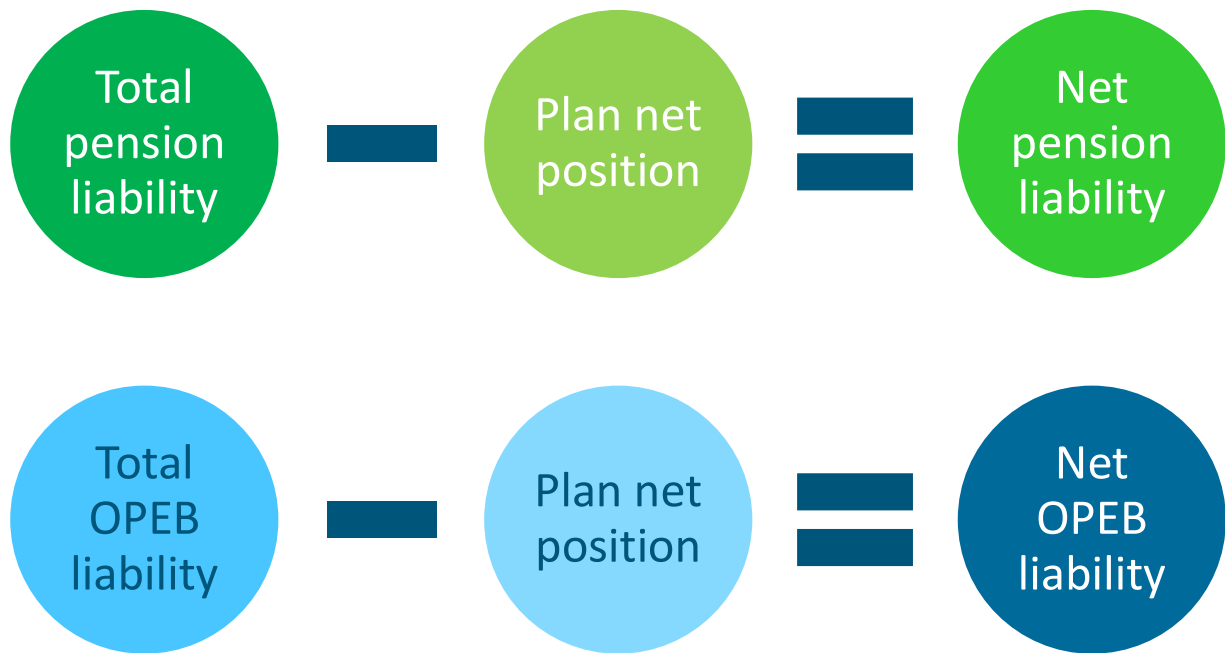
- Based on a distribution of employees and retirees for a typical “implicit-only” OPEB (approximately 1 retiree per 25 active employees)
- Retiree pays the “full” premium
- Average retiree costs \$5,495 per year in excess of premiums paid

Active Employee Cost: \$8,769 or 97% of the blended average

- \$231 of the amount contributed by the employer for each active employee is applied towards the retiree cost not covered by premiums collected from retirees

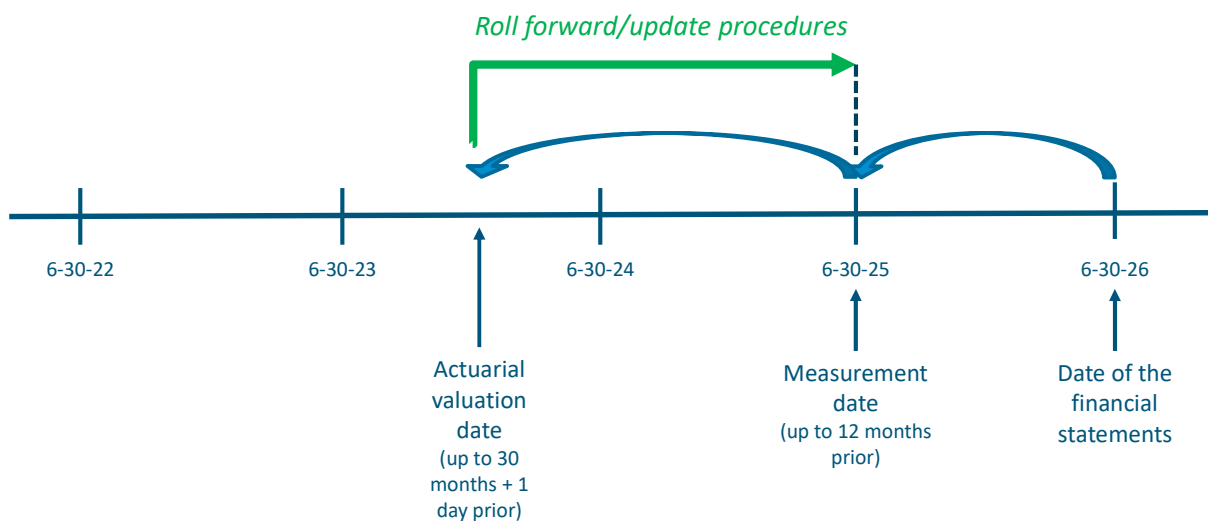
Measuring the Liability

Calculating the Net Liability



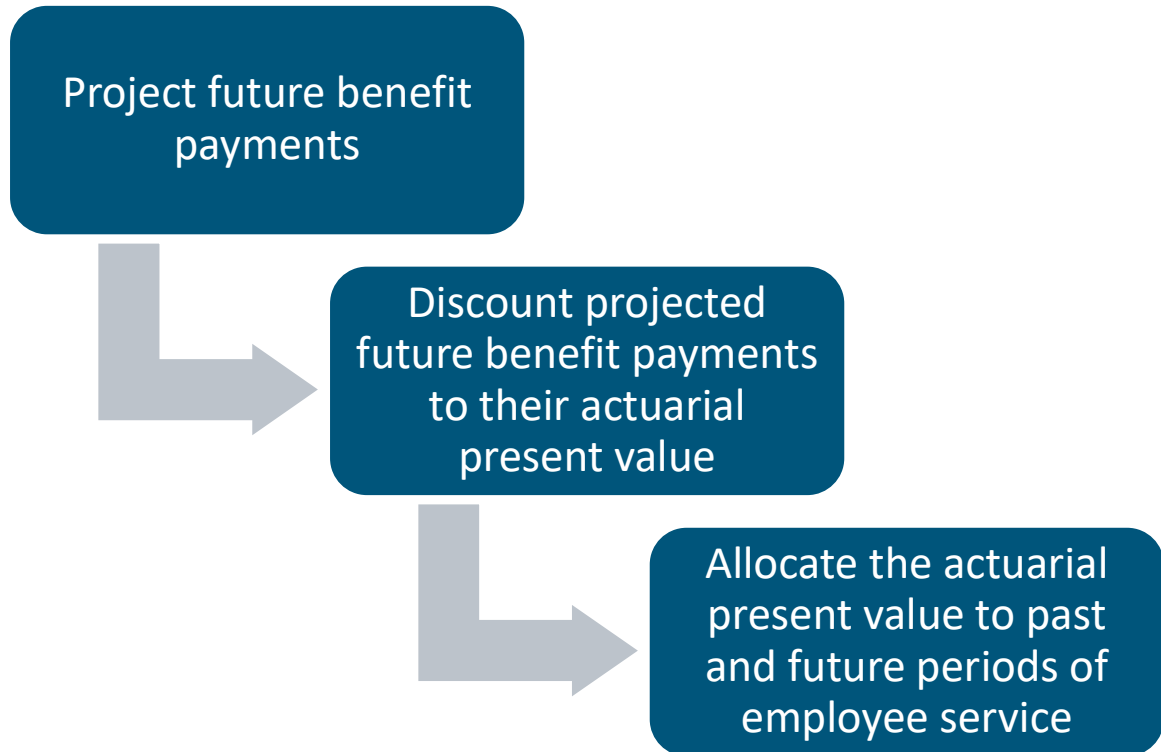
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Measurement Date and Valuation Date



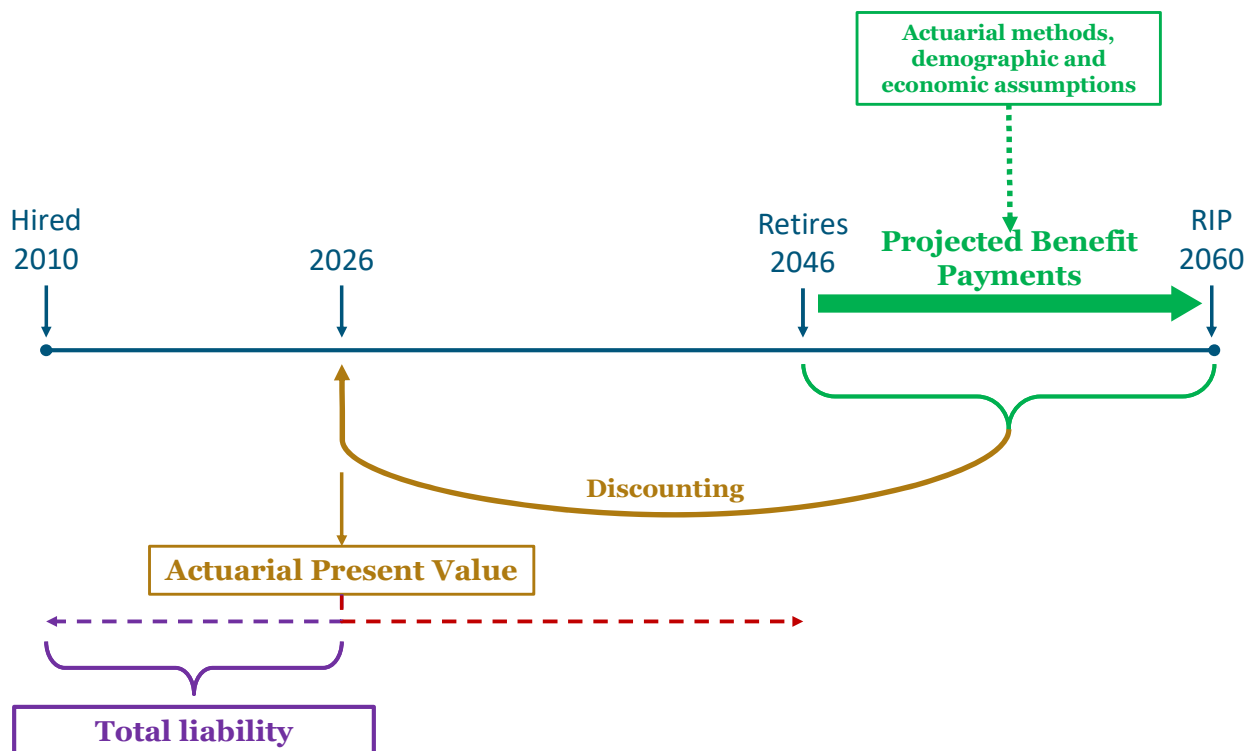
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Measurement Steps, Broadly Speaking



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Calculating the Pension & OPEB Liabilities



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Assumptions

All assumptions used in determining the total liability and related measures should be made in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board

For this purpose, a *deviation from ASOPs*, as the term is used in ASOPs, should not be considered to be in conformity with the preceding requirement

The plan, employer, and governmental NECEs that contribute to the pension plan should use the same assumptions

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Projecting Future Benefit Payments

Projected benefit payments include:

All benefits to be provided to current active and inactive employees

Effects of automatic COLAs & other benefit changes

Effects of *ad hoc* COLAs & other benefit changes*

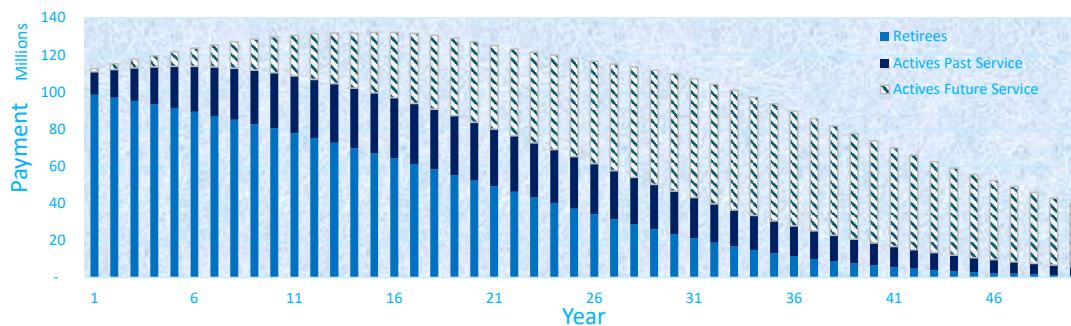
Effects of projected salary increases, if applicable

Effects of projected service credits, if applicable

*To the extent that they are substantively automatic

Pension Benefit Cash-Flows

Sample Pension Plan Cash-flow



Benefit payments typically extending beyond 30 years

Liabilities exclude benefits for future active employees

Liabilities for current active employees are based on past years of service but recognize expected pay increases

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Discounting Projected Benefit Payments

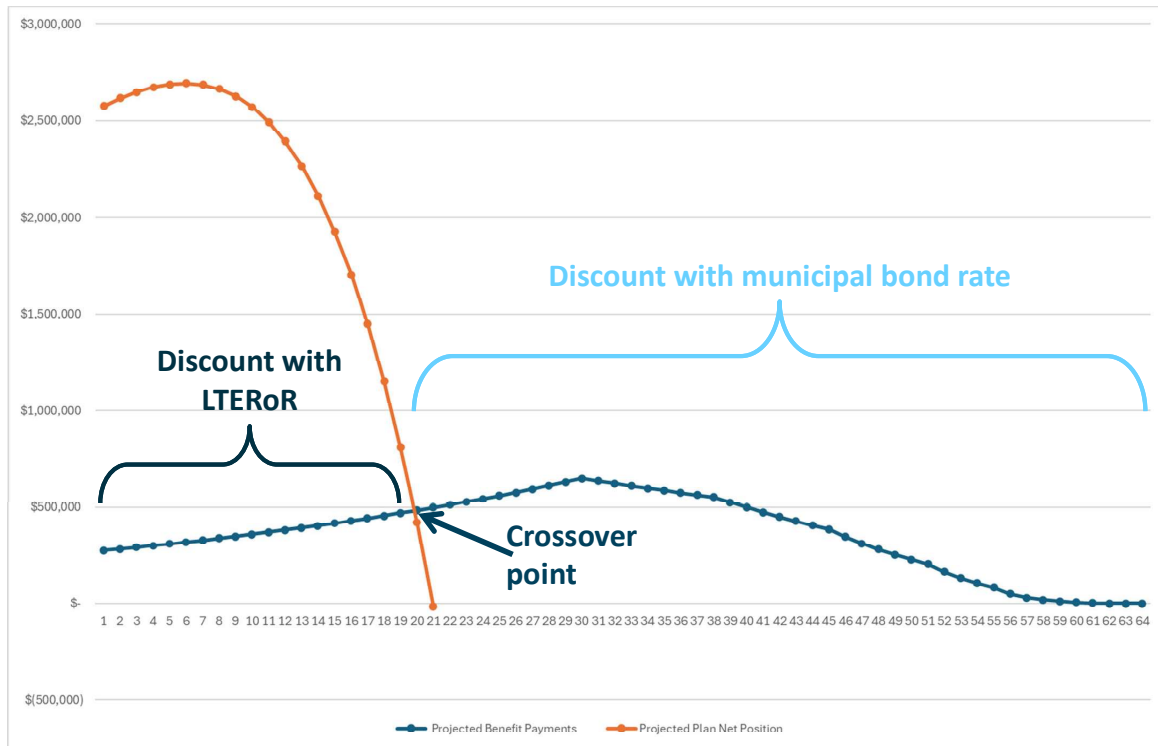
Projected benefit payments should be discounted using a discount rate based on the plan's long-term expected rate of return (LTERoR) *as long as projected plan net position is greater than the benefit payments*

Otherwise, projected benefit payments should be discounted using a yield or index rate for 20-year, tax-exempt general obligation bonds with an average rating of AA/Aa or higher (or equivalent quality)

When more than one rate is used for discounting, the *single discount rate* is the rate that would produce the same actuarial present value if applied to all projected benefit payments

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Discounting Example



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Attributing APV to Periods

Entry age actuarial cost method required to be used

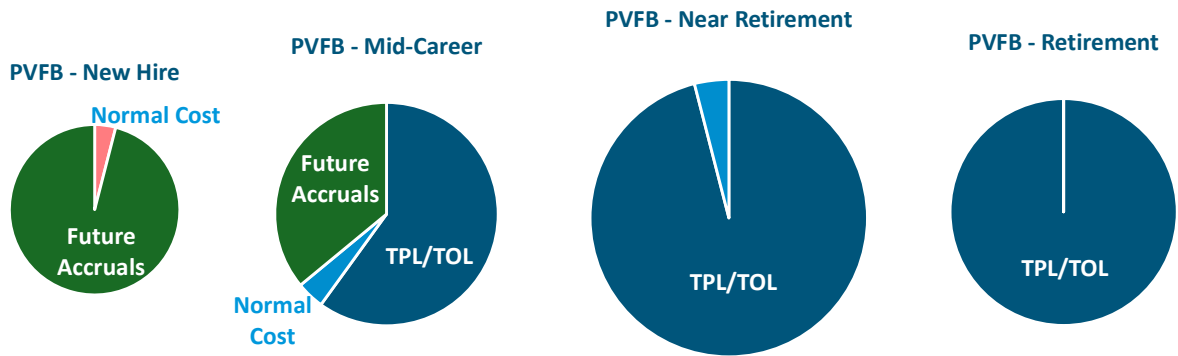
- APV of each individual is allocated on a level basis over their earnings or service between entry age and assumed exit age
- Portion of APV allocated to a valuation year is called the *normal cost*

In plans in which the benefit terms include a deferred retirement option program (DROP), the date of entry into the DROP should be considered to be the employee's retirement date

- A program that permits an employee to elect a calculation of benefit payments based on service credits and salary, as applicable, as of the DROP entry date
- The employee continues to provide service to the employer and is paid for that service after the DROP entry date, but the benefits that would have been paid are credited to an individual employee account within the plan until the end of the DROP period

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Attribution of Present Value of Benefits



Present value of future benefits is calculated for each member

New employees have no liability, retirees have no normal cost

Total liability for a member is typically at its highest at the time of retirement

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Reporting Expense

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Reporting Liability Changes as Expense

The largest changes in the liability (normal cost and interest), as well as the effect of changes in benefit terms, are reported *immediately* as pension/OPEB expense

Other causes of increases and decreases in the liability are initially reported as deferred outflows and deferred inflows, respectively, and reported as expense over several years

- Deferrals related to differences between assumed and actual plan earnings are expensed over five years
- All other deferrals are expensed over a period equal to the average remaining service period of all plan members, both active and inactive

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Pension & OPEB Expense

Cause of Change	Definition	Effect on Liability & Expense
Service (normal) cost	Cost of new benefits earned	Increase
Interest on beginning total liability	Accrual of interest on amount owed to plan members	Increase
Changes in benefit terms	Improvements or reductions to benefits	Increase or decrease, respectively
Changes in assumptions	Different inputs into measuring the liability (e.g., inflation)	Increase or decrease
Experience gains and losses	Actual economic or demographic indicators (e.g., life expectancy) are different from what was assumed when measuring the liability	Increase or decrease
Difference between expected and actual proportionate share of contributions	An employer's actual percentage of total contributions to the plan is higher or lower than assumed	Increase or decrease, respectively
Change in proportion	Using a higher or lower assumption about an employer's percentage of total contributions	Increase or decrease, respectively
Difference between projected and actual earnings on plan investments	Actual earnings are higher or lower than assumed	Decrease or increase, respectively

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Pension & OPEB Expense Recognition

Cause of Change	When to Expense
Service (normal) cost	Immediately
Interest on beginning total liability	
Changes in benefit terms	
Changes in assumptions	Over the average remaining service periods of all plan members
Differences between expected and actual economic & demographic factors (experience gains and losses)	
Difference between expected and actual proportionate share of contributions	
Change in proportion	
Difference between projected and actual earnings on plan investments	Over a closed five-year period

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Average Remaining Service Period

Average remaining service period is an average for all members, active and inactive

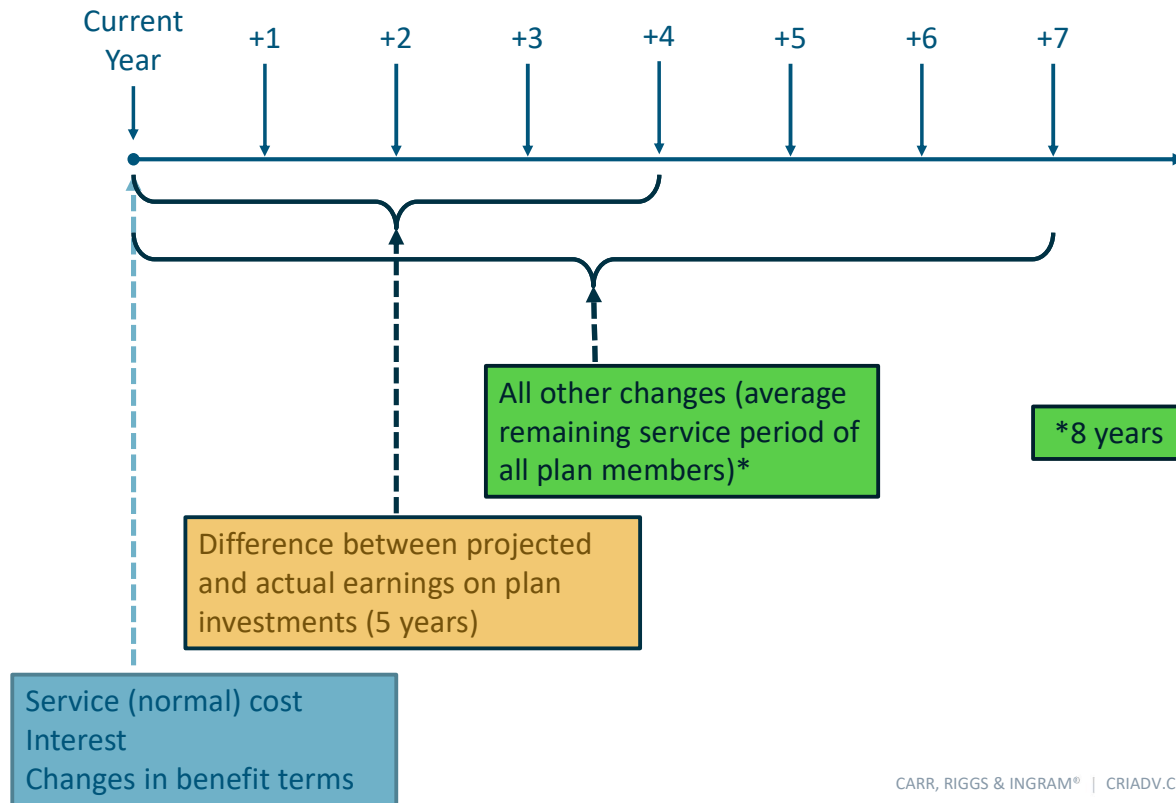
- Often calculated by dividing the collective expected service years of active employees by the total number of participants (active, inactive, and retired)

Inactive members have a remaining service period of 0

- For closed plans without any active employees all changes in TPL/TOL are recognized immediately
- Typical open pension plans recognize changes in liabilities over 5 to 10 years
- Plans with few retirees (in particular OPEB) often recognize changes in liabilities over 10 years or more

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Expense Recognition (continued)



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Contributions after the Measurement Date

Employer contributions to the plan from the employer between the measurement date and the end of the reporting period should be reported as a deferred outflow

- For unfunded OPEB plan, this is the collective employer-paid benefit amount for the period (implicit subsidy PLUS direct premium subsidy, if any)

In the following period, the deferral is eliminated and the net liability is reduced by the amount of the deferral

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Cost-Sharing Employers and Special Funding Situations

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Cost-Sharing Plans

Measurement of the liability, expense, and deferrals is performed for the plan as a whole, rather than for each individual employer

Individual employers report their *proportionate share* of the collective amounts in their own financials

The proportionate share is based on the employer's *proportion*—its percentage of the total for all employers and NECEs

GASB *recommends* basing the proportion on the employer's projected long-term contributions

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Proportions & Proportionate Shares

Contributions from
Government A &
its employees



Government A's
proportion (%)



Net liability, expense
& deferrals *for the
entire plan*



Contributions
from ALL
governments &
their employees

Net liability, expense
& deferrals *for
Government A – its
proportionate share
(\$\$\$\$)*

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Special Funding Situations: Employer Reporting

Similar to a cost-sharing employer, an employer in a SFS should recognize its proportionate share of the collective liability

- The employer reports its proportionate share of the collective liability minus the NECE's proportionate share

An employer should recognize expense equal to the collective expense

- Deferrals should be recognized equal to the collective deferrals × the employer's proportion (its proportionate share of the liability ÷ the collective liability)
- Plus, defer and recognize as expense over the average remaining service period of the plan members (1) the effect of changes in the proportion and (2) the difference between employer contributions made during the measurement period and the employer's proportionate share of total employer and NECE contributions

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SFS: Employer Reporting (continued)

Recognize revenue equal to the total of:

- NECE's total proportionate share of pension expense, less the NECE's proportionate share of contributions made during the measurement period to finance separate liabilities to the plan
- The portion of the following associated with the employer, if any: the NECEs' total additional expense for those contributions

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Special Funding Situations: NECE Reporting

A NECE should report in its own financials its proportionate share of the liability for the other entity's employees

- The NECE's proportionate share equals the collective liability minus the employer's proportionate share

Expense and deferrals reported by the NECE should equal the collective amounts $\times$ its proportion (its proportionate share of the liability $\div$ the collective liability)

- The effect of changes in the NECE's proportion should be deferred and recognized as expense over the average remaining service period of the plan members

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Reporting in Financial Statements

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Accrual-Basis Financial Statements

Governments should recognize a net (or total) liability and related deferrals in the statements of net position

Liabilities from multiple plans may be aggregated in the financial statements, as may assets, but liabilities and assets may not be netted

There is no current portion of pension or OPEB liability unless the expected benefit payments for the coming year exceed the plan's net position

Expenses should be recognized in the statement of activities and statement of revenues, expenses, and changes in (fund) net position

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Governmental Funds Financial Statements

Net (or total) liability or asset usually are not recognized in the governmental funds balance sheet

Governments should recognize a liability to the extent that it is normally expected to be liquidated with expendable available financial resources

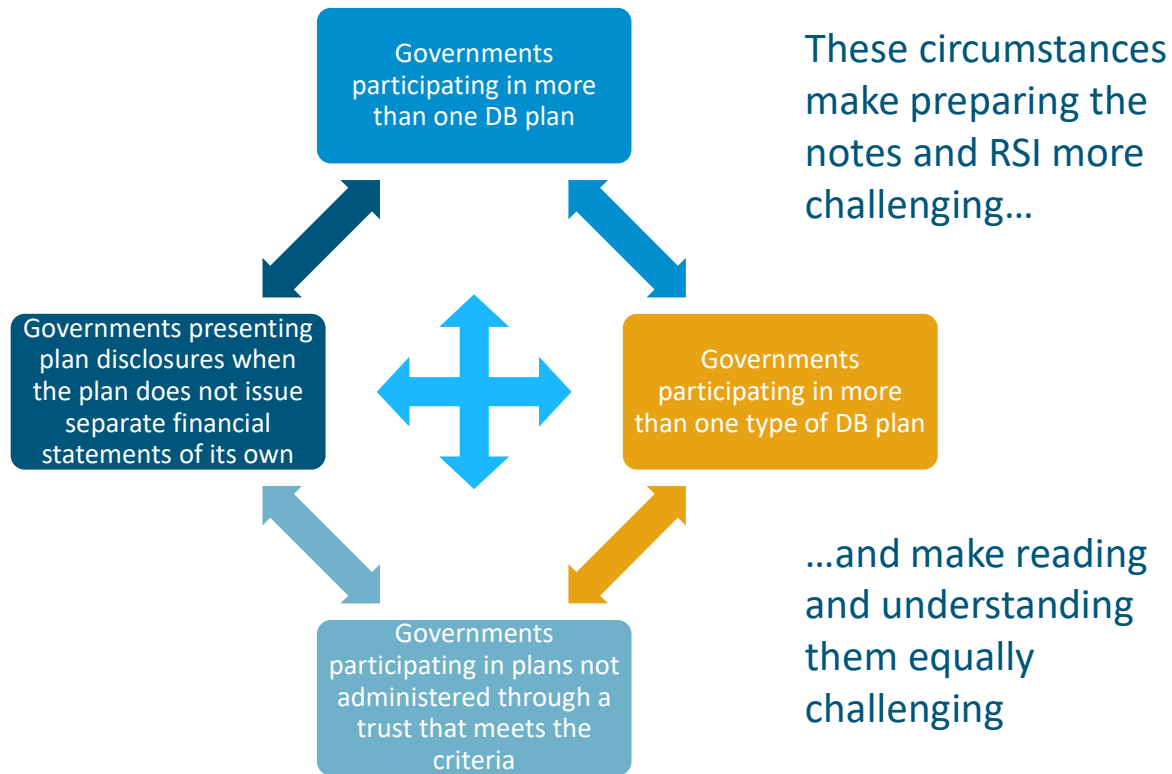
- i.e., when benefit payments are due and payable and the plan's fiduciary net position is not sufficient for payment of those benefits

Expenditures should be recognized equal to (a) amounts paid to the plan during the period by the employer (and NECE, if any) plus (b) the change in the liability (if any)

- Expenditures include amounts for payables to the plan

Notes to Financial Statements

Multiple Plans of Different Types



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Required Notes: Overview

Begin with aggregate totals for all plans of the employer's liabilities (and/or assets), deferrals, and expense/expenditure

The following separately for each plan (though combined in a manner that avoids unnecessary duplication), separately identifying amounts for the primary government and its discretely presented component units (if applicable):

1. Plan description
2. Information about the net liability
 - a. Assumptions and other inputs, especially discount rate
 - b. Plan fiduciary net position
 - c. Changes in the net liability (single and agent plans)

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Summary Information Up Front

The City of Aurora provides the following plans:

Defined Benefit Plans:

General Employees' Retirement Plan (GERP)
 Elected Officials' and Executive Personnel Defined Benefit Plan (EOEP)
 Police Retirement Plan (PRP)
 Fire Pension Plan (Old Hire-Fire)
 Police Pension Plan (Old Hire-Police)
 Fire Statewide Retirement Plan (SRP)

Defined Contribution Plans:

Police Money Purchase Pension Plan (New Hire-Police)
 Police Money Purchase Hybrid Pension Plan
 Fire Money Purchase Pension Plan
 Executive Retirement Plan – Money Purchase Pension Plan (ERP)

	Net Pension Liability	Net Pension Asset	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
Single Employer Plans					
GERP	\$ 77,215,604	\$ -	\$ 60,689,929	\$ 5,034,943	\$ 21,992,239
EOEP	-	2,511,477	667,092	-	143,566
PRP	-	2,789,677	5,076,295	1,064,168	1,089,505
Agent Multiple Employer Plans					
Old Hire-Fire	49,082,234	-	8,010,244	-	4,052,182
Old Hire-Police	61,072,838	-	9,539,331	-	5,102,988
Cost Sharing Multiple Employer Plans					
SRP	-	-	22,251,098	2,021,083	7,836,613
	<u>\$ 187,370,676</u>	<u>\$ 5,301,154</u>	<u>\$ 106,233,989</u>	<u>\$ 8,120,194</u>	<u>\$ 40,217,093</u>

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Should “Educational” Text Be Removed?

Deferred outflows of resources and deferred inflows of resources related to pensions are the amounts that are required to be deferred and recognized in subsequent periods. These amounts refer to items that are not yet recognized in the net pension liability/asset or pension expense and include:

- Differences between expected and actual experience
- Changes of pension assumptions
- Differences between projected and actual earnings on pension plan investments
- Changes in pension proportionate share
- City contributions made subsequent to the measurement date through the fiscal year-end

Deferred outflows of resources and deferred inflows of resources will be recognized as follows:

- Differences in plan experience, changes of assumptions and changes in proportionate share will be amortized over the remaining service lives of current and former employees, and retirees.
- Differences between projected and actual investment earnings will be amortized over a five-year period.
- Contributions made subsequent to the measurement date will be recognized as a reduction (increase) of the net pension liability (asset) in the subsequent year.

“users of notes to financial statements are responsible for (a) obtaining a reasonable understanding of government and public finance activities and of the fundamentals of governmental financial reporting, (b) studying the information with reasonable diligence, and (c) applying relevant analytical skills.”

“The following types of information are not appropriate for notes to financial statements: ...
 c. General or educational information that is not specific to the government.”

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Plan Description Notes

Name of plan	PERS or other entity that administers plan	Type of plan
Classes of employees covered	Types of benefits	Key elements of formulas
Terms for automatic and ad hoc COLAs	Authority for setting benefit terms	If plan is closed to new entrants

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Key Elements of the Formula & COLA Provisions

Summary of Benefits by System						
	Noncontributory System	Contributory System	Public Safety System	Firefighters System	Judges System	Tier 2 Public Employees System Tier 2 Public Safety and Firefighters System
Final Average Salary...	Highest 3 Years	Highest 5 Years	Highest 3 Years	Highest 3 Years	Highest 2 Years	Highest 5 Years
	30 years any age	30 years any age	20 years any age	25 years any age	35 years any age	25 years any age
Years of Service Required and/or Age Eligible for Benefit.....	25 years any age*	20 years age 60*	10 years age 60	20 years age 55*	20 years age 60*	20 years age 60*
	20 years age 60*	10 years age 62*	4 years age 65	10 years age 62	10 years age 62*	10 years age 62*
	10 years age 62*	4 years age 65	6 years age 70	4 years age 65	4 years age 65	
	4 years age 65					
Benefit Percent per Year of Service**.....	2.00% per year all years	1.25% per year to June 1975 2.00% per year July 1975 to present	2.50% per year up to 20 years 2.00% per year over 20 years	5.00% first 10 years 2.25% second 10 years 1.00% over 20 years	1.50% per year all years	1.50% per year all years
COLA***.....	Up to 4.00% annually	Up to 4.00% annually	Up to 2.50% or 4.00% annually depending on the employer	Up to 4.00% annually	Up to 4.00% compounded annually	Up to 2.50% annually

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Special-Funding Situation

A. Plan Description

The District participates in a multiple-employer, cost-sharing, defined benefit pension plan that **has a special funding situation**. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

At June 30, 2025, the District reported a liability of \$308,611,482 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 308,611,482
State's proportionate share that is associated with the District	<u>386,356,618</u>
Total	<u>\$ 694,968,100</u>

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Plan Description (continued)

Number of covered employees*	Basis for determining employer contributions	Authority for setting contribution requirements
Contribution rates	Employer contributions for the period	Whether plan issues stand-alone report
If so, how to obtain the report	Employer's proportion (and change from prior measurement)+	Basis for employer's proportion+

*Single and agent employers

+Cost-sharing employers

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Plan Members Example

As of the beginning of the fiscal year ended June 30, 2025, pension plan membership consisted of the following:

	General Employees - The City	Firefighters	Police Officers
Inactive plan members or beneficiaries currently receiving benefits	4,011	1,115	1,786
Inactive plan members entitled to, but not yet receiving benefits	2,038	274	530
Active plan members	3,963	936	1,591
Total membership	10,012	2,325	3,907

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Information about the Liability: Assumptions

Significant
assumptions and
other inputs

Source of
mortality
assumptions

Dates of
experience studies

Discount rate (and
change from prior
measurement)

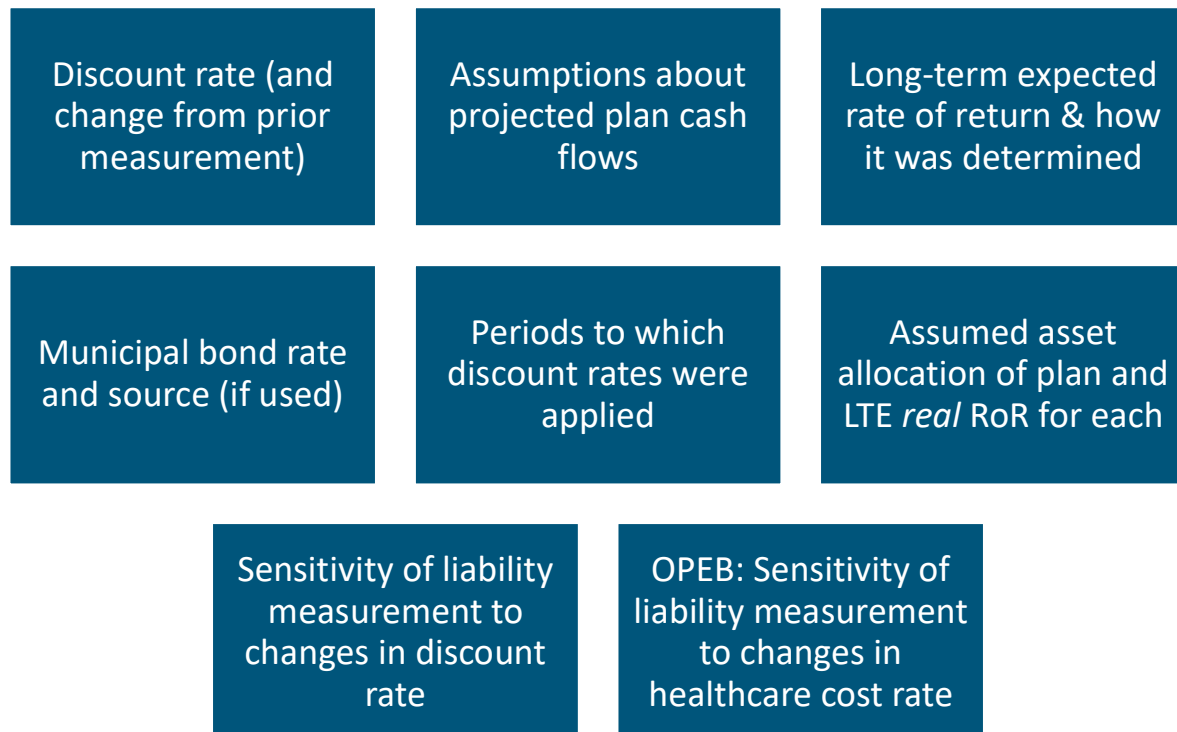
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Assumptions Example

Inflation	2.25%
Salary Increases	3.00% plus age-related salary adjustments for General Employees, Fire and Police.
Discount Rate	3.93%
Healthcare costs trend rates:	
Medical (non-MA)	16.26% for the first year, then 7.87% graded down annually to an ultimate rate of 4.50%
Prescription drug (MA)	6.64% for the first year, then 5.87% graded down annually to an ultimate rate of 4.50%
Dental	5.32% for the first year, then 3.00% every year after
Mortality Rates (Healthy)	For Police and Fire Employees, Sex-distinct PUB-2010 Mortality Table for public safety employees, projected generationally using Scale MP-2020. For General Employees, Sex-distinct Pri-2012 Blue Collar Healthy Retiree Amount-weighted Mortality Table with rates increased by 15%, projected generationally using Scale MP-2020.
Mortality Rates:	
Employee (General Employees):	Sex-distinct Pri-2012 Blue Collar Employee Amount-weighted Mortality Table with rates increased by 15%, projected generationally with scale MP-2020
Employee (Fire and Police):	PUB-2010 Sex-Distinct Public Safety Employees Mortality Table with generational projection using Scale MP-2020
Healthy Retiree (General Employees):	Sex-distinct Pri-2012 Blue Collar Healthy Retiree Amount-weighted Mortality Table with rates increased by 15% projected generationally with Scale MP-2020.
Healthy Retiree (Fire and Police):	PUB-2010 Sex-Distinct Public Safety Healthy Retiree Mortality Table with generational projection using Scale MP-2020
Disabled (General Employees):	Sex-distinct Pri-2012 Disabled Retiree Amount-weighted Mortality Table with rates increased by 15% projected generationally with Scale MP-2020.
Disabled (Fire and Police):	PUB-2010 Sex-Distinct Public Safety Employees Mortality Table with generational projection using Scale MP-2020

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Discount Rate



Discount Rate Sensitivity Example

Primary Government Changes in Discount Rate Net Pension Liability / (Asset) <i>(expressed in thousands)</i>			
System	1% Decrease (5.95%)	Current Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System.....	\$ 1,228,306	\$ 544,490	\$ (28,721)
Contributory System.....	25,225	2,590	(16,815)
Public Safety System.....	335,648	143,463	(14,680)
Firefighters System.....	974	(476)	(1,653)
Judges System.....	67,418	38,731	14,594
Governors and Legislators Retirement Plan	2,958	1,647	646
Tier 2 Public Employees System.....	35,226	4,085	(19,982)
Tier 2 Public Safety and Firefighters System.....	7,324	2,073	(1,825)
Total Net Pension Liability / (Asset).....	\$ 1,703,079	\$ 736,603	\$ (68,436)

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Discount Rate Sensitivity Example

The following presents the net pension liability (asset) of the Plans, calculated using the discount rates for each Plan as well as what the Plan net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate (dollars in thousands):

	Discount Rate		
	1% Decrease 6.00%	Current 7.00%	1% Increase 8.00%
General Employees - the City	\$ 778,669	\$ 561,914	\$ 378,476
Firefighters' Pension	\$ 526,257	\$ 360,024	\$ 224,576
Police Officers' Pension	\$ 760,003	\$ 482,962	\$ 258,283

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Healthcare Cost Trend Sensitivity Example

	1% Decrease	Healthcare Trend	1% Increase
Total OPEB liability	\$ 112,429	\$ 125,473	\$ 140,689

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Discount Rate Assumptions Example

Long-Term Expected Return on Plan Assets. The long-term expected rate of return on plan investments is selected by the plan trustee after a review of expected inflation and long-term real-returns, reflected expected volatility and correlation. The assumption currently selected is 6.00% per annum, net of investment-related expenses. The estimates for each major asset class that is included in the plan's target asset allocation as of January 1, 2025 were as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00%	0.50%
Large Cap (US)	23.00%	3.75%
Small/Mid Cap (US)	9.00%	4.25%
International Equity (Developed)	19.00%	4.75%
Emerging Market Equity	6.00%	5.75%
Domestic Fixed Inc	10.00%	2.25%
Real Estate	5.00%	3.25%
Low Correlated Hedge	5.00%	3.50%
Other Real Assets	7.00%	6.50%
Private Equity	7.00%	7.25%
Private Debt	7.00%	6.00%
Total	100.00%	

Discount Rate. The discount rate used to measure the total pension liability as of December 31, 2024, was 6.00%. Based on the projection of cash flows, PRP's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on PRP investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Information about the Liability (continued)

Measurement date of the net liability	Date of the actuarial valuation	Whether update procedures were used to roll forward the TL
If special-funding situation (SFS): employer's proportion	If SFS: basis for employer's proportion	If SFS: change in employer's proportion, if any
Changes in assumptions since measurement date that affected TL	Changes in benefit terms since measurement date that affected TL	Changes between measurement date and reporting date that will affect TL

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Information about the Liability (continued)

Changes in the total liability, plan net position, and net liability	Expense recognized for the period
Deferrals by source	Deferral balances to be recognized as expense in the future

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Changes in the Net Liability Example

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at September 30, 2024	\$ 1,698,193,344	\$ 1,085,633,178	\$ 612,560,166
Changes for the year:			
Service cost	21,308,672	-	21,308,672
Interest	121,356,797	-	121,356,797
Benefit changes	-	-	-
Difference between expected actual experience	13,787,410	-	13,787,410
Changes in assumptions	-	-	-
Contributions - employer	-	72,864,620	(72,864,620)
Contributions - employee	-	16,709,604	(16,709,604)
Net investment income	-	136,654,399	(136,654,399)
Benefit payments, including refunds of employee contributions	(103,298,926)	(103,298,926)	-
Administrative expense	-	(753,433)	753,433
Other changes	-	168,903	(168,903)
Net changes	53,153,953	122,345,167	(69,191,214)
Balance at September 30, 2025	\$ 1,751,347,297	\$ 1,207,978,345	\$ 543,368,952

Note: Single & agent employers only

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Example: Changes in the Net Liability (single & agent employers)

	County, Excluding BSO	BSO
Total OPEB Liability at 10/1/2023	\$ 21,164	\$ 245,387
Changes for the Fiscal Year		
Service Cost	1,046	6,216
Interest	1,056	10,602
Benefit Changes		17,445
Difference Between Actual and Expected Experience	(4,444)	12,208
Assumption Changes	(4,731)	(4,260)
Benefit Payments	(1,051)	(21,552)
Net Changes in Total OPEB Liability	(8,124)	20,659
Total OPEB liability at 9/30/2024	\$ 13,040	\$ 266,046
Covered-Employee Payroll	\$ 537,642	\$ 423,494
TOL as a Percentage of Covered-Employee Payroll	2.43%	62.82%

No assets in the fund, therefore no columns for fiduciary net position or net OPEB liability

Changes in Total OPEB Liability Example

	County, Excluding BSO	BSO
Total OPEB Liability at 10/1/2023	\$ 21,164	\$ 245,387
Changes for the Fiscal Year		
Service Cost	1,046	6,216
Interest	1,056	10,602
Benefit Changes		17,445
Difference Between Actual and Expected Experience	(4,444)	12,208
Assumption Changes	(4,731)	(4,260)
Benefit Payments	(1,051)	(21,552)
Net Changes in Total OPEB Liability	(8,124)	20,659
Total OPEB liability at 9/30/2024	\$ 13,040	\$ 266,046
Covered-Employee Payroll	\$ 537,642	\$ 423,494
TOL as a Percentage of Covered-Employee Payroll	2.43%	62.82%

No assets in the fund, therefore no columns for fiduciary net position or net OPEB liability

Deferrals Example

As of June 30, 2025, the total employer pension expense is \$7,542,384. At June 30, 2025, the Water Reclamation District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience ⁽¹⁾	\$ 15,765,077	\$ -
Net difference between projected and actual earnings on pension plan investments	-	7,320,713
Changes of assumptions or other inputs	4,795,092	-
Changes in proportion and differences between employer contributions and proportionate share of contributions ⁽¹⁾	1,466,609	3,308,146
WRD Contributions subsequent to the measurement date	6,369,141	-
	<u>\$ 28,395,919</u>	<u>\$ 10,628,859</u>

(1) Average expected remaining service lives:

5.64 years

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date totaling \$6,369,141 will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows/(inflows) of resources related to pension will be recognized in pension expense as follows:

Fiscal year ending June 30:	
2026	\$ 1,671,049
2027	8,094,980
2028	605,039
2029	(8,965)
2030	1,035,816

Distinguishing Plan and Employer Disclosures

Plan & Employer Disclosures in the Same Report

Sensitivity of the net pension liability to changes in the discount rate (Pension Plan Reporting)

The following presents the net pension liability of the pension plans, calculated using the current discount rate, as well as what the pension plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Employees' Retirement			
System net pension liability (asset)	\$ 119,199,584 6.60%	\$ 61,756,411 7.60%	\$ 9,401,110 8.60%
Firefighters' Retirement			
System net pension liability (asset)	\$ 12,249,907 6.50%	\$ (16,268,755) 7.50%	\$ (40,192,752) 8.50%
Police Officers' Retirement			
System net pension liability (asset)	\$ 112,884,165 6.85%	\$ 53,830,994 7.85%	\$ 4,801,885 8.85%

Fiscal year disclosure

Measurement year disclosure

Sensitivity of the net pension (asset) liability to changes in the discount rate (Employer Reporting)

The following presents the net pension (asset) liability of the pension plans, calculated using the current discount rate, as well as what the pension plan's net pension (asset) liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Employees' Retirement			
System net pension liability (asset)	\$ 112,137,594 6.65%	\$ 54,856,985 7.65%	\$ 6,628,503 8.65%
Firefighters' Retirement			
System net pension liability (asset)	\$ 10,270,611 6.50%	\$ (16,809,084) 7.50%	\$ (39,551,423) 8.50%
Police Officers' Retirement			
System net pension liability (asset)	\$ 106,402,659 6.90%	\$ 47,414,406 7.90%	\$ (13,028,440) 8.90%

Plan & Employer Disclosures in the Same Report

GASB 67 Disclosures

EOEP Financial Statements.

EOEP Statement of Fiduciary Net Position December 31, 2025		EOEP Statement of Changes in Fiduciary Net Position For the Year Ended December 31, 2025	
ASSETS		ADDITIONS	
<i>Current assets</i>		<i>Contributions</i>	
Investments		City	\$ 388,815
Cash and cash equivalents	\$ 131,710	Total contributions	388,815
Equity securities and funds	5,901,334		
Corporate bond funds	2,830,100	<i>Investment activity</i>	
Real estate funds	907,261	Investment returns	1,435,991
Alternative investments	617,820	Investment expense	(13,850)
Interest receivable	5,255	Net investment returns	1,422,141
Total assets	10,393,480	Total additions	1,810,956
LIABILITIES		DEDUCTIONS	
<i>Current liabilities</i>		Benefits	499,125
Accounts payable	-	Administrative expenses	53,982
Total liabilities	-	Total deductions	553,107
NET POSITION RESTRICTED FOR PENSIONS		NET INCREASE IN NET POSITION	1,257,849
	\$ 10,393,480	NET POSITION RESTRICTED FOR PENSIONS - January 1	9,135,631
		NET POSITION RESTRICTED FOR PENSIONS - December 31	\$ 10,393,480

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Plan & Employer Disclosures in the Same Report

GASB 68 Disclosures

Plan Membership. Membership of the plan, as of the measurement date, was as follows:

Retirees and beneficiaries	69
Inactive, nonretired members	9
Active members	23
	<u>101</u>

Long-Term Expected Return on Plan Assets. The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the plan's trustee after considering input from the plan's actuary. The estimates for each major asset class that is included in the plan's target asset allocation as of January 1, 2025, were as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Fixed Income	30%	1.75%
Domestic Equity	32%	4.35%
International Equity	20%	4.45%
Real Estate	12%	3.25%
Real Return	6%	4.00%
Total	<u>100%</u>	

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RSI Schedules

RSI Schedules, Covering the Past 10 Years

	Liability Schedule	Contributions Schedule	Notes to Schedules
Single or agent, no SFS	Changes in the net liability by cause and ratios	Actuarially determined contribution (ADC)+ compared with actual contributions, and ratios	Significant methods and assumptions used to calculate the ADC+ Factors that significantly affected the trends
Single or agent, SFS	Changes in the collective net liability by cause and ratios, plus proportionate share information	Same as no SFS	Same as no SFS
Cost-sharing, no SFS	Proportion and proportionate share of the liability, and ratios	Statutorily or contractually determined contributions* compared with actual contributions, and ratios	Factors that significantly affected the trends
Cost-sharing, SFS	Proportion and proportionate share of the liability, and ratios, plus proportionate share information	Same as no SFS	Same as no SFS

+Unless contribution is statutorily or contractually determined

*Unless an ADC is calculated

Key Reminders for RSI Schedules

Liability schedules should present *measurement periods*

Contribution schedules should present *fiscal years*

Covered payroll is the payroll on which contributions to a plan are based

Covered-employee payroll is the total payroll of employees in the plan

Ratios should use covered payroll if contributions are based on pay, but otherwise should use covered-employee payroll

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Changes in Net Liability Schedule

Same information as the note, but for the past 10 years

- A. Total liability
- B. Plan fiduciary net position
- C. Net liability
- D. $B \div A$
- E. Covered payroll
- F. $C \div E$

When there is an SFS, C is the collective net liability, and the following also should be reported:

- G. NECEs' total proportionate share of C
- H. Employer's proportionate share of C
- I. $H \div E$

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Example: Changes in Net Liability Schedule

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service cost	\$ 20,718,121	\$ 19,630,604	\$ 19,315,172	\$ 19,706,997	\$ 18,659,042	\$ 18,657,791	\$ 19,655,059	\$ 18,734,601	\$ 18,841,425	\$ 18,980,543
Interest	115,277,788	109,103,579	108,013,719	103,536,827	100,299,842	96,782,967	84,474,307	80,415,811	76,728,937	72,176,032
Benefit changes	215,883	-	-	-	46,431	-	58,281	3,079,947	(319,947)	463,821
Difference between expected actual experience	46,808,079	50,595,343	(21,398,113)	23,618,246	15,824,298	6,564,079	21,523,872	17,244,137	14,497,396	25,359,233
Changes in assumptions	-	-	-	-	35,587,356	-	86,852,659	-	-	-
Benefit payments, including refunds of employee contributions	(97,873,259)	(93,332,002)	(88,555,441)	(83,245,136)	(78,103,610)	(73,212,386)	(67,874,292)	(62,848,129)	(58,330,873)	(54,262,097)
Net change in Total Pension Liability	85,146,612	85,997,524	17,375,337	63,616,934	92,313,359	48,792,451	144,689,886	56,626,367	51,416,938	62,717,532
Total Pension Liability - Beginning	1,613,046,732	1,527,049,208	1,509,673,871	1,446,056,937	1,353,743,578	1,304,951,127	1,160,261,241	1,103,634,874	1,052,217,936	989,500,404
Total Pension Liability - Ending	\$ 1,698,193,344	\$ 1,613,046,732	\$ 1,527,049,208	\$ 1,509,673,871	\$ 1,446,056,937	\$ 1,353,743,578	\$ 1,304,951,127	\$ 1,160,261,241	\$ 1,103,634,874	\$ 1,052,217,936
Plan Fiduciary Net Position										
Contributions - employer	\$ 76,295,834	\$ 71,835,723	\$ 68,432,958	\$ 62,971,304	\$ 60,853,499	\$ 55,665,704	\$ 47,521,805	\$ 44,749,719	\$ 42,300,849	\$ 39,097,981
Contributions - employee	16,697,262	16,091,891	14,490,794	14,108,468	13,940,999	13,446,185	13,941,429	12,461,897	12,981,148	12,083,766
Net investment income	231,203,192	124,882,764	(204,851,277)	179,943,870	91,530,777	22,683,136	56,169,683	75,860,411	46,845,674	(5,922,327)
Benefit payments, including refunds of employee contributions	(97,873,259)	(93,332,002)	(88,555,441)	(83,245,136)	(78,103,610)	(73,212,386)	(67,874,292)	(62,848,129)	(58,330,873)	(54,262,097)
Administrative expense	(682,879)	(524,793)	(579,836)	(202,916)	(268,107)	(296,056)	(248,784)	(239,862)	(250,846)	(241,372)
Other changes	(216,528)	82,348	(135,413)	(120,297)	(190,182)	79,481	96,879	113,448	245,212	624,400
Net Change in Plan Fiduciary Net Position	225,423,622	119,035,931	(211,198,215)	173,455,293	87,763,376	18,366,064	49,606,720	70,097,484	43,791,164	(8,619,649)
Plan Fiduciary Net Position - Beginning	860,209,556	741,173,625	952,371,840	778,916,547	691,153,171	672,787,107	623,180,387	553,082,903	509,291,739	517,911,388
Plan Fiduciary Net Position - Ending	1,085,633,178	860,209,556	741,173,625	952,371,840	778,916,547	691,153,171	672,787,107	623,180,387	553,082,903	509,291,739
Net Pension Liability - Ending	\$ 612,560,166	\$ 752,837,176	\$ 785,875,583	\$ 557,302,031	\$ 667,140,390	\$ 662,590,407	\$ 632,164,020	\$ 537,080,854	\$ 550,551,971	\$ 542,926,197
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	63.93%	53.33%	48.54%	63.08%	53.86%	51.05%	51.56%	53.71%	50.11%	48.40%
Covered Payroll	\$ 314,808,067	\$ 283,630,892	\$ 260,401,757	\$ 261,530,890	\$ 254,105,154	\$ 242,278,837	\$ 241,522,135	\$ 226,975,245	\$ 220,949,172	\$ 214,354,687
Net Pension Liability as a percentage of Covered Payroll	194.58%	265.43%	301.79%	213.09%	262.55%	273.48%	261.74%	236.63%	249.18%	253.28%

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Example (closeup)

	2024
Total Pension Liability	
Service cost	\$ 20,718,121
Interest	115,277,788
Benefit changes	215,883
Difference between expected actual experience	46,808,079
Changes in assumptions	-
Benefit payments, including refunds of employee contributions	(97,873,259)
Net change in Total Pension Liability	85,146,612
Total Pension Liability - Beginning	1,613,046,732
Total Pension Liability - Ending	<u>\$ 1,698,193,344</u>
Plan Fiduciary Net Position	
Contributions - employer	\$ 76,295,834
Contributions - employee	16,697,262
Net investment income	231,203,192
Benefit payments, including refunds of employee contributions	(97,873,259)
Administrative expense	(682,879)
Other changes	(216,528)
Net Change in Plan Fiduciary Net Position	225,423,622
Plan Fiduciary Net Position - Beginning	860,209,556
Plan Fiduciary Net Position - Ending	<u>1,085,633,178</u>
Net Pension Liability - Ending	\$ 612,560,166
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	63.93%
Covered Payroll	\$ 314,808,067
Net Pension Liability as a percentage of Covered Payroll	194.58%

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ADC Schedule

If an ADC is calculated, the contributions schedule should include:

- A. The employer's ADC
- B. Actual amount of contributions recognized by the plan in relation to that ADC
- C. $B - A$ (or $A - B$)
- D. Covered payroll
- E. $B \div D$

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Example: ADC Schedule

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 68,187,427	\$ 62,001,713	\$ 61,428,774	\$ 63,159,710	\$ 59,841,764	\$ 54,706,561	\$ 45,712,814	\$ 43,482,797	\$ 41,391,890	\$ 38,791,424
Contributions in relation to the actuarially determined contribution	76,295,834	71,835,723	68,432,958	62,971,304	60,853,499	55,665,704	47,521,805	44,749,719	42,300,849	39,097,981
Contribution deficiency (excess)	\$ (8,108,407)	\$ (9,834,010)	\$ (7,004,184)	\$ 188,406	\$ (1,011,735)	\$ (959,143)	\$ (1,808,991)	\$ (1,266,922)	\$ (908,959)	\$ (306,557)
Covered Payroll	\$ 314,808,067	\$ 283,630,892	\$ 260,401,757	\$ 261,530,890	\$ 254,105,154	\$ 247,754,285	\$ 258,524,423	\$ 247,754,285	\$ 239,525,648	\$ 230,445,554
Contributions as a percentage of covered payroll	24.24%	25.33%	26.28%	24.08%	23.95%	22.47%	18.38%	18.06%	17.66%	16.97%

	2024
Actuarially determined contribution	\$ 68,187,427
Contributions in relation to the actuarially determined contribution	76,295,834
Contribution deficiency (excess)	<u>\$ (8,108,407)</u>
Covered Payroll	\$ 314,808,067
Contributions as a percentage of covered payroll	24.24%

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Example: Notes to RSI Schedules (cont'd)

Notes to Schedule of Actuarially Determined City Contributions to the City Employees' plan

Valuation Date	
Date	• December 31 of each calendar year occurring during the fiscal year.
Notes	• A funding period is solved for through open group projections.
Methods and Assumptions Used to Determine Contribution Rates	
Actuarial Cost Method	• Entry Age Normal (all years)
Asset Valuation Method	• 2017 forward - Expected actuarial value plus 20% recognition of prior years' differences between expected and actual investment income. • 2016 and 2015 - 20% of market plus 80% of expected actuarial value.
Inflation	• 2.5% for 2020 through 2024, 2.75% for 2016 through 2019, 3.25% for 2015
Salary Increases	• 3.5% to 5.75% for 2020 through 2024, 4% to 6.25% for 2016 through 2019, 4.5% to 6% for 2015
Investment Rate of Return	• 6.75% for 2022 through 2024, 7% for 2020 and 2021, 7.5% for 2016 through 2019, 7.75% for 2015
Retirement Age	• Experience-based table of rates that are gender specific. • 2020 - 2024 - Last updated for December 31, 2019 valuation pursuant to an experience study of the period ending December 31, 2018. • 2016 - 2019 - Last updated for December 31, 2015 valuation pursuant to an experience study of the 5-year period ending December 31, 2015. • 2015 - Last updated for December 31, 2012 valuation pursuant to an experience study of the 5-year period ending December 31, 2011.
Mortality	• 2020 through 2024 - PubG-2010 Healthy Retiree Mortality Table (for General employees) for males and females with full generational projection assuming immediate convergence of rates in the mortality projection scale MP- 2018, 2D for male and female. • 2016 through 2019 - RP-2014 Mortality Table with Blue Collar adjustment. Generational mortality improvements in accordance with Scale BB are projected from the year 2014. • For 2015 RP-2000 Mortality Table with White Collar adjustment and multipliers of 110% for males and 120% for females. Generational mortality improvements in accordance with Scale AA are projected from the year 2000.
Other Information	
Notes	• There were no benefit changes during the periods displayed. • An actuarially determined contribution of 8.68% was effective January 1, 2024. Prior to that change the rate was 19%. The City also contributes according to a fixed payment plan established to eliminate the legacy unfunded liability existing as of December 31, 2023 over a 30-year period. For calendar year 2024 this amount is \$3,803,699 per pay period.

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Cost-Sharing Net Liability Schedule

Cost-sharing employers should present the following:

- Employer's proportion of the collective net liability
- Employer's proportionate share of the collective net liability
- Employer's covered payroll
- $B \div C$
- Plan's fiduciary net position $\div$ total liability

When there is an SFS, the following also should be reported:

- Portion of the NECEs' total proportionate share of collective net liability associated with the employer
- $B + G$

Example: Cost-Sharing Net Liability Schedule

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
County's Proportion of the Net Pension Liability	1.68410592%	1.60958400%	1.60750656%	1.61037792%	1.58334264%	1.63284659%	1.62657457%	1.61492487%	1.60348178%	1.66151589%
County's Proportionate Share of the Net Pension Liability	\$ 440,906	\$ 475,472	\$ 130,860	\$ 238,462	\$ 312,959	\$ 447,204	\$ 255,178	\$ 366,722	\$ 277,743	\$ 200,397
County's Covered Payroll	\$ 268,536	\$ 241,302	\$ 225,029	\$ 220,730	\$ 215,162	\$ 212,953	\$ 207,211	\$ 201,255	\$ 191,890	\$ 197,745
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	164.19%	197.04%	62.15%	108.03%	145.45%	210.00%	123.15%	182.22%	144.74%	101.34%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.01%	75.74%	92.62%	86.88%	82.17%	74.70%	84.66%	77.25%	81.08%	86.45%

Amounts presented as of the County's measurement date, which is the prior year-end.

	2024
County's Proportion of the Net Pension Liability	1.68410592%
County's Proportionate Share of the Net Pension Liability	\$ 440,906
County's Covered Payroll	\$ 268,536
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	164.19%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.01%

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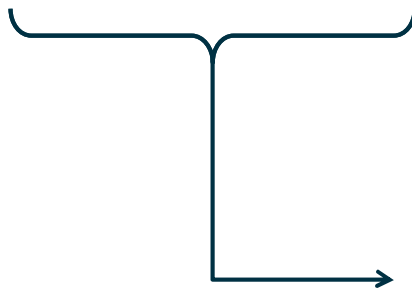
Statutory/Contractual Contributions Schedule

If an ADC is *not* calculated and the contributions are statutorily or contractually established, the schedule should include:

- The statutorily or contractually established contribution amount
- Actual amount of contributions recognized by the plan in relation to that required contribution
- $B - A$ (or $A - B$)
- Covered payroll
- $B \div D$

Example: Statutory/Contractual Contributions

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 42,040	\$ 38,808	\$ 34,925	\$ 32,674	\$ 32,064	\$ 31,174	\$ 30,871	\$ 27,963	\$ 25,116	\$ 23,910
Contributions in Relation to the Contractually Required Contribution	(42,040)	(38,808)	(34,925)	(32,674)	(32,064)	(31,174)	(30,871)	(27,963)	(25,116)	(23,910)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County's Covered Payroll	\$ 292,240	\$ 268,536	\$ 241,302	\$ 225,020	\$ 220,730	\$ 215,162	\$ 212,953	\$ 207,211	\$ 201,253	\$ 191,890
Contributions as a Percentage of Covered Payroll	14.39%	14.45%	14.47%	14.52%	14.53%	14.40%	14.50%	13.40%	12.48%	12.46%



	2024
Contractually Required Contribution	\$ 42,040
Contributions in Relation to the Contractually Required Contribution	(42,040)
Contribution Deficiency (Excess)	\$ -
County's Covered Payroll	\$ 292,240
Contributions as a Percentage of Covered Payroll	14.39%

Questions?

CRI Firm Facts



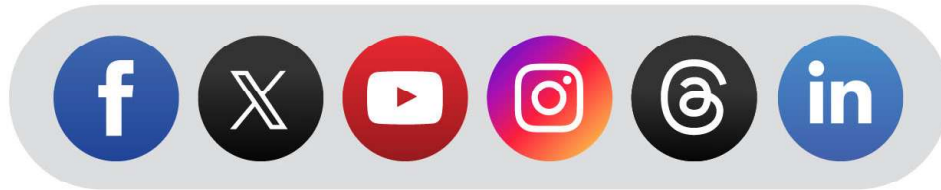
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- Your Instructor -

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