

2024-25 GASB 101 Compensated Absences



Definitions, Scope and Applicability

- Effective for 2024-25 fiscal year
- The Board has amended guidance for compensated absences by updating recognition and measurement guidance for certain types of leave
- What is a *compensated absence*?
 - Leave for which employees may receive one or more:
 - Cash payments when leave is used for time off
 - Other cash payments for unused leave upon termination of employment
 - Noncash settlement, such as conversion to post-employment benefits

What is changing?

- No more “vesting” requirement for sick leave
- Sick leave calculation factors “more likely than not” to be paid or settled
- Addresses leave liability recognition for
 - Unused sick leave
 - Leave that has been used, but not paid or settled

Audit Report Compensated Absences Note Disclosure Will be Changing for 2024-25

~~Accumulated sick leave benefits are not recognized as liabilities of the District. The District’s policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.~~

Summary of Changes

- ***Vacation***

- Previous: Recognize liability if payable upon termination
- GASB 101: Recognize liability if payable or settled upon termination

- ★ ***Sick***

- Previous: Recognize liability if payable upon termination
- GASB 101: Recognize liability if “*more likely than not*” to be paid or settled

- ★ ***Taxes***

- Previous: Was not addressed
- GASB 101: Include related taxes (Social Security, Medicare etc.)

- ***Pension/OPEB Contributions (Note: should already be accounted for & therefore, unlikely impact)***

- Previous: Was not addressed
- GASB 101: Include defined contribution plans and exclude defined benefit plans (defined pension & OPEB percentages are already included as part of NPL & OPEB liability)

Examples of Compensated Absences

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

*Sabbatical leave during which an employee is not required to perform any significant duties for the government (unrestricted sabbatical leave, as used in this Statement) is a compensated absence. Sabbatical leave during which an employee is required to perform duties of a different nature for the government (for example, research instead of teaching) is not a compensated absence.



Recognition Criteria

Leave That Has NOT Been Used

A liability should be recognized for leave that has not been used if ALL of the following are met:

- Leave attributable to services already rendered
- Leave accumulates AND
- Leave is *more likely than not** to be used for time off or paid in cash or settled through noncash means

*The term *more likely than not* means a likelihood of more than 50 percent.

Exceptions to General Recognition Approach

- Leave that is more likely than not to be settled through a conversion to defined post-employment benefits (OPEB) – do not recognize liability
- Leave that is dependent upon the occurrence of a sporadic event – recognize liability when leave commences
 - For example: Parental leave, FMLA, military leave, and jury duty leave
 - Does not apply to sick leave or sabbatical leave (follows general recognition approach)
- Unlimited leave and holiday leave taken on a specific date – recognize liability when used

Measurement of Liability

- Employee Pay Rate – Generally as of the date of the financial statements unless,
 - Some or all of the leave is more likely than not to be paid at a rate different from the employee's rate of pay at the time the payment is made
 - Includes salary related tax payments (OASDI, Medicare, SUI & Workers Compensation etc.)
 - Leave sharing pools – used estimated pay rate of employees that participate
 - HCM Query – M_AM_SICK_VAC_LIABILITY_COMBO
 - HCM Query– M_AM_LEAVE_TRANSACTIONS

M_AM_SICK_VAC_LIABILITY_COMBO - District Absence Liability

District #

Year(YYYY)-Month(MM)

EE ID %

[View Results](#)

Row	Emplid	Empl Record	Name	Position	Descr	Absence Group	Orig Cal Group	Location
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Hourly Rate X Hours = \$ Subtotal Amount

Less: <Historical Forfeitures>

\$ Subtotal Amount

Add: Salary Related Payments

\$ Compensated Absence

Recognition Criteria

Leave That Has Been Used

- A liability should be reported when leave is used for time off but has not yet been paid in cash or settled through noncash means.
 - The liability, including salary related payments, should be measured at the amount of the cash payment or noncash settlement to be made for the use of the leave

District Assumptions

- Determine a calculation methodology: Days Used vs. FIFO/LIFO
- Define the historical period: For example, 3-year vs. 5-year
- Adopt a consistent reporting policy: Apply the methodology consistently year over year

FIFO → “First-In, First-Out”

LIFO → “Last-In, First-Out”

Sample School District Board Resolution

Accounting for Compensated Absences in Accordance with GASB Statement No. 101

Whereas, the Governmental Accounting Standards Board (GASB) has adopted Statement No. 101 *Compensated Absences* effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter; and

Whereas, GASB Statement No. 101 states that a liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means (unless the noncash means is conversion to a defined benefit post-employment plan); and

Whereas, The District offers vacation leave which meets the definitions in GASB Statement No. 101 for full recognition of the balance at year end; and

SACS Form Debt

- Enter sick leave beginning balance adjustment for 2024-25 (year of implementation)
- Enter increases or decreases to compensated absences (vacation and sick leave liability)

Sample School District
San Diego County

Unaudited Actuals
2024-25 Unaudited Actuals
Schedule of Long-Term Liabilities

37 XXXXX 0000000
Form DEBT (2024-25)

Description	Unaudited Balance July 1	Audit Adjustments/ Restatements	Audited Balance July 1	Increases	Decreases	Ending Balance June 30	Amounts Due Within One Year
Governmental Activities:							
General Obligation Bonds Payable	150,330.00		150,330.00			150,330.00	
State School Building Loans Payable			0.00			0.00	
Certificates of Participation Payable			0.00			0.00	
Leases Payable			0.00			0.00	
Lease Revenue Bonds Payable			0.00			0.00	
Other General Long-Term Debt			0.00			0.00	
Net Pension Liability	3,471,130.00		3,471,130.00			3,471,130.00	
Total/Net OPEB Liability			0.00			0.00	
Compensated Absences Payable	42,140.00	16,884.00	51,601.00	52,299.00		111,323.00	
Subscription Liability			0.00			0.00	
Governmental activities long-term liabilities	3,656,177.18	16,884.00	3,673,061.00	52,299.00	0.00	3,732,783.00	0.00

Adjust for sick leave
beginning balance
previously not recorded

Sample increase

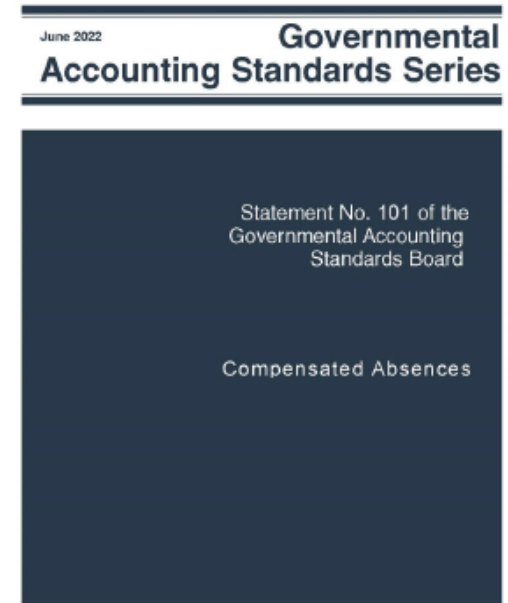
Note Disclosure

- Long-term liability disclosures for compensated absences
 - Disclosure beginning and ending balances
 - Option to present net increase or decrease separately, or option to report a net amount (if noted as “net”)
 - Disclosure portion due within one year
 - No longer need to disclosure with governmental fund will pay the liability

Resources

GASB Statement 101

Statement No. 101 Compensated Absences



GASB

GOVERNMENTAL ACCOUNTING STANDARDS BOARD
OF THE FINANCIAL ACCOUNTING FOUNDATION

Thank you!