Bond Case Briefs

Municipal Finance Law Since 1971

GASB Provides Unified Accounting Model for Compensated Absences and Eases Disclosure Burden.

Norwalk, CT, June 16, 2022 — The Governmental Accounting Standards Board (GASB) today issued new guidance that enhances the recognition and measurement requirements for compensated absences and refines related disclosure requirements.

Statement No. 101, *Compensated Absences*, supersedes the guidance in Statement No. 16, Accounting for Compensated Absences, which was issued in 1992. The new guidance is in keeping with the Board's commitment to periodically reexamine its standards to ensure their continued effectiveness.

State and local governments often provide paid leave benefits to their employees, such as vacation leave and sick leave. Some benefits have evolved since Statement 16, such as the use of a paid-tim--off model that has characteristics of both vacation and sick leave. Statement 101 aligns recognition and measurement guidance for all types of compensated absences under a unified model. The new model will result in governments recognizing a liability that more appropriately reflects when they incur an obligation for compensated absences. The model also will lead to greater consistency in application and improved comparability across governments.

Statement 101 details the circumstances under which governments will be required to recognize a liability for compensated absences and provides guidance for measuring that liability. The general approach for measurement is to use an employee's pay rate as of the financial reporting date.

Generally, a liability for leave that has not been used would be recognized if the leave:

(a) Is attributable to services already rendered
(b) Accumulates, and
(c) Is more likely than not to be used for time off or otherwise paid or settled.

There are some exceptions—such as parental leave and military leave—for which a liability would not be recognized until the leave commences.

The guidance eliminates or makes optional certain existing disclosures that GASB research found did not provide essential information to financial statement users. The Statement provides an alternative to the existing requirement to disclose the gross annual increases and decreases in long-term liability for compensated absences, allowing governments to disclose only the net annual change in the liability as long as it is identified as such. The Statement also removed the disclosure of the government funds used to liquidate the liability for compensated absences.

The requirements of Statement 101 are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Copyright © 2026 Bond Case Briefs | bondcasebriefs.com