

During the Carr, Riggs & Ingram webinar on [GASB 101 Decoded: Lessons Learned and Next Steps for Compensated Absences](#), CRI experts shared insights and best practices from their extensive experience helping clients implement [GASB Statement No. 101](#), *Compensated Absences*. This handy checklist highlights the key considerations and essential steps they provided to help you successfully implement the new standards.

## Identify the Types of Paid Leave You Provide

GASB 101 encompasses all types of paid employee leave, not just sick leave and vacation. Notably, the new standards include leave that can be carried forward and either used in future years or paid for at retirement, whereas the prior standards only covered the latter. It is essential to document your leave policies and maintain detailed records so you can identify what your government pays for and how much leave employees have accumulated.

### Action Items:

- ☐ Involve key personnel from accounting and finance, human resources, payroll, IT, and other relevant areas in the process.
- ☐ Confirm your implementation approach with your auditors\* *before* they start auditing your work product.
- ☐ Assemble the contracts, agreements, policy manuals, and other documents that contain provisions for paid leave.
- ☐ Keep copies of these documents and any others used during implementation, and provide copies to your auditors.
- ☐ Determine which types of leave your government pays for and which employees receive them.
- ☐ Identify the specific provisions in your leave policies, including:
  - ☐ Whether leave can be carried forward and used while still employed, paid for at the end of employment, or both
  - ☐ Any caps on accumulated leave, pay rates, or dollar amounts.
- ☐ Note any special circumstances that apply only to specific individuals, such as city managers or school district superintendents.
- ☐ Document your decision-making process throughout implementation, including who you talked to, the decisions you made, and the reasons for these decisions.

†This is not a CPA firm.

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## Calculate Your Government's Liability

The liability for compensated absences continues to be measured by multiplying end-of-year leave balances by the appropriate pay rate as of that date and adding “salary-related payments,” such as withholding for income taxes and Social Security. However, under GASB 101, the criteria have broadened to include all leave that:

- » Has already been earned,
- » Can be carried forward to future years, and
- » Is more likely than not (greater than 50%) to be used, paid, or settled.

### Action Items:

- ☐ Evaluate how you calculated the liability under the prior standards to identify any issues you may need to address before implementing the new standards.
- ☐ Ensure that your leave records are complete, thorough, and accurate. Ideally, they should detail the following for the past three to five years:
  - ☐ Employee names and identification numbers
  - ☐ Beginning balances for each type of leave
  - ☐ Leave used, paid for, or forfeited during the year
  - ☐ Ending leave balances
- ☐ Consider whether to separately analyze employees with specific characteristics—for example, those within a certain number of years of being hired or of retiring—whose leave use may differ significantly from other employees.
- ☐ Look for outliers: employees whose recent leave use is substantially greater than usual, such as someone recovering from a serious accident. Consider whether to exclude these employees when establishing assumptions about patterns of leave usage.
- ☐ Identify the applicable pay rates for each employee and type of leave. Some leave may be compensated at a rate that is higher or lower than the regular pay rate.
- ☐ Determine when employees are credited with new leave each year (e.g., at the start of the fiscal year or calendar year, or on a monthly or quarterly basis throughout the year).
- ☐ Select a flow assumption for measuring the liability related to leave that will be used during employment: first-in-first-out (FIFO) or last-in-first-out (LIFO).
- ☐ Add the liability for employees who, as of the end of the fiscal year, are on parental leave, military service, or other types of leave excluded from the general measurement approach by GASB 101.
- ☐ Measure the portion of the liability that is due within one year.

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## Determine What You Should Disclose

GASB 101 reduces the existing notes to financial statements related to compensated absences. In the roll-forward disclosure of long-term liabilities, governments now have the option to disclose a net increase or decrease in the compensated absences liability during the year rather than separate gross increases and decreases, *as long as they clearly label it as “net.”* Additionally, GASB 101 eliminated the disclosure of the fund used to liquidate the liability.

*You will need to disclose the implementation of the new standards as a change in accounting principle under [GASB Statement 100](#).* You may also need to revise your summary of significant accounting policies (SSAP) note.

## Action Items:

- ☐ On the face of the financial statements, report the amount by which the beginning net position was restated, if at all, as a result of measuring the previously reported liability under the new standards. Aggregate it with other restatements and adjustments, if applicable.
- ☐ Update the compensated absences section of your SSAP to remove information that is no longer relevant (e.g., vesting policies) and add new information (e.g., flow assumption).
- ☐ Prepare the disclosure of the change in accounting principle, including:
  - ☐ The amount by which the beginning net position was restated.
  - ☐ The nature of the change.
  - ☐ Any affected line items in the financial statements.

## Need Assistance with GASB 101?

Completing this checklist can lay the foundation for successful GASB 101 implementation and compliance.

CRI's experts provide clients with the clarity and context to make informed decisions. Whether you need help interpreting the new GASB standards, implementing them for the first time, or applying them on an ongoing basis, our team is here to support you every step of the way. [Contact us today to get started.](#)

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