



**GASB STATEMENT  
NO. 101**  
SUMMARY AND CASE STUDY



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# GASB STATEMENT RECAP

On June 16, 2022, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 101, "Compensated Absences." This statement amended the definition of a compensated absence to include the various types of benefits offered by governmental employers, while also establishing a unified model for accounting and reporting. Further, the GASB revised the related financial statement disclosure requirements, including eliminating certain disclosures previously required, in an effort to remove information deemed nonessential to financial statement users. The GASB statement applies to all state and local government entities.

The GASB statement supersedes the previous definition of a compensated absence to include one or more of the following forms of leave employees may receive:

- Cash payments for leave employees use for time off.
- Other cash payments, such as payment for unused leave upon termination of employment.
- Noncash settlements, such as conversion of accrued leave to defined benefit postemployment benefits.

Conversion to defined benefit postemployment benefits is specifically excluded from the definition and is now not part of the liability calculations.

The statement provides specific examples of compensated absences, including vacation leave, sick leave, paid time off (PTO), holidays, parental leave, bereavement leave and certain types of sabbatical leave. The statement also establishes accounting and reporting requirements for certain salary-related payments associated with providing leave, such as Social Security or Medicare taxes.





The GASB statement requires that a compensated absence be recognized in financial statements prepared using the economic resources measurement focus when three criteria are all met:

1. The leave accumulates into a future reporting period.
2. The leave is attributable to services already rendered by the employee.
3. The leave is more likely than not (a likelihood of more than 50%) to be used for time off or otherwise paid in cash or settled through noncash means.

Certain types of compensated absences are not recognized until the leave commences or is used. Parental leave, military leave and jury duty are three examples; reason being, they are dependent upon the occurrence of a sporadic event. Unlimited leave (such as unlimited PTO) and holiday leave that is taken on a specific date (as opposed to floating holidays that employees use at their discretion) should not be recognized as a liability until the leave is used.

The actual calculation of the liability is defined in the GASB statement as accumulated leave (often in hours) multiplied by the employee's rate of pay as of the date of the financial statements, and it would include certain salary-related payments. Any change in pay rate in future periods would be recognized in the period of change.

The GASB statement specifies that the reporting requirements of long-term liabilities that were originally included in the GASB Statement No. 34 reporting model is applied to compensated absences. However, entities now have the option to present either of the following:

- The increases and decreases in the liability as separate items in the applicable footnote (typically the long-term debt roll-forward, but it can be its own separate footnote).
- A net increase or decrease in the liability, with the footnote indicating the amount is a net amount.

Previous guidance requiring disclosure of the fund used to liquidate compensated absences was removed from the requirements.

The provisions of the GASB statement are effective for fiscal years beginning after Dec. 15, 2023. Early adoption is permitted, and entities should apply the provisions on a retroactive basis by restating the financial statements of the earliest period presented. The cumulative effect of the change would be recognized as a change to the opening balance of net position of the earliest period presented.



# CASE STUDY



## FACTS AND ASSUMPTIONS

1. City of Sample (City) uses the calendar year as its fiscal year. The City is adopting the provisions of the GASB statement for its year ending December 31, 2024. The financial statements utilize a single-year presentation format. In prior years, the City's financial statements had a compensated absence accrual that included a balance for vacation leave for all employee classes, as well as a sick leave balance applicable only for public safety employees. Salary-related payments were not included in the liability previously reported, as the City did not deem these payments to be material. For the adoption of the GASB statement, the City intends to include the salary related payments going forward.
2. The applicable compensated absence policies in effect at the City include both sick leave and vacation leave.
3. Union employees who work in non-public safety departments, such as the clerk's office, city manager's office, the public works department, the building department and the finance department, are governed under a single union agreement. Employees earn both sick and vacation leave as they provide services to the City. Settlement of sick leave and vacation leave include:
  - Use in the ordinary course of operations (applicable to both sick and vacation leave).
  - Payment in cash at termination for any accrued but unused vacation leave at the employee's full hourly rate of pay. Accrued but unused sick leave is not paid out in cash at termination. Termination includes retirement for purposes of this example.
  - Conversion of accrued but unused sick leave to service time credit for the employee's defined benefit pension plan at half the employee's hourly pay rate. Accrued but unused vacation leave is not subject to conversion.

The defined benefit pension plan is an agent multiple employer plan that is in common use across entities within the City's state, in which the City's full-time employees are legally required to join.



4. Public safety employees consist of police and firefighters, who are members of the local public safety union. Employees earn both sick and vacation leave, as they provide services to the City. Settlement of sick leave and vacation leave include:

- Use in the ordinary course of operations (applicable to both sick and vacation leave).
- Payment in cash at termination for any accrued but unused sick and vacation leave at the employee's full hourly rate of pay.
- Public safety employees are not allowed to convert any unused sick or vacation leave into a defined benefit pension plan.

The public safety defined benefit pension plan is a single employer plan, but members can transfer service to other qualified single employer plans upon termination from the City.

5. Employees are encouraged to use their allotted sick and vacation leave, but otherwise, there are no provisions for forfeiture of earned leave (other than those for termination/retirement).
6. For department heads normally not permitted to join the union, assume that they follow the compensated absence policies in their department's applicable union contract.
7. All sick and vacation time is tracked in the finance department using the existing ERP system. There is no anticipated change in procedures regarding the processing and reporting of compensated absences data.
8. There were no changes in previous compensated absence policies during the year of adoption, specifically regarding the accumulation of leave and the settlement provisions.





# CASE STUDY

# CALCULATIONS

## SICK LEAVE FOR MUNICIPAL EMPLOYEES

The first calculation will focus on sick leave for municipal employees. First, the City must identify and analyze all settlement paths to determine if any settlement path should be excluded from the compensated absences liability at both the beginning of the year and the end of the year. From the assumptions above, the settlement paths include:

**1. Use in ordinary course of operations** – while this was not previously included in the City's compensated absences liability, under the GASB statement guidance, this is now required to be considered. The City calculates an estimate of sick leave usage by looking at three years of historical data and generating an average usage for a sample of 10 employees. The sample would include employees with at least three years of tenure and higher. The percent usage would be the hours used in a period divided by the hours earned in the same period.

The resulting percent usage is then multiplied by the hours of sick leave accrued but unused as of beginning of the period and then the end of period to determine the liability at both points in time. The results of this analysis would also include the average percent used within one year, which should be considered for the calculation of the current portion of the liability presented on the financial statements.

### SIKICH OBSERVATION

The GASB statement does not include specific guidance on the calculation of this estimate in order to provide entities flexibility based on their specific facts and circumstances. We have observed that the percent usage calculation could also be calculated by dividing the hours used in the current period by the total hours accrued but unused after considering the volume of usage and the propensity of employee hours to accumulate based on employer policies. This may result in a lower usage percentage than the approach in this case study but may be considered reasonable if the entity determines the lower usage percentage meets the “more likely than not” criteria set forth by the statement. Regardless of the approach, entities need to document their assumptions and considerations of their estimates for future reference, as well as for audit documentation requirements.



**2. Cash payment at termination/retirement** – this was previously not reported as a component of the compensated absence liability. As the City’s policies do not permit cash settlement for sick leave, and the third settlement path is conversion of sick time into defined benefit pension service credit (see below), which is excluded from the compensated absences liability per the GASB statement requirements, the City concludes that any sick leave that will not be used per the first settlement path will be excluded from the compensated absence liability.

**3. Conversion into defined benefit pension plan service time credit** – this was previously not reported as a component of the compensated absence liability. As stated above, when conversion into defined benefit pension plan credit is excluded from the liability and in consideration of the other forms of settlement, additional calculations are not required, as this settlement path will not result in additions to the liability.

Note that the total of all three settlement path usage percents must equal 100% of the total sick leave balance that an employee can accrue at both the beginning and end of the year. After determining the percentage of accrued but unused sick leave that will be settled per above, the liability is calculated for both the beginning and end of the period. The hours subject to accrual are multiplied by the applicable pay rate at both points in time. Additionally, the amount of the liability that is subject to Social Security and Medicare taxes are multiplied by the applicable tax rate and added to the total liability for each period (i.e., the applicable salary-related payments).

#### SIKICH OBSERVATION



Many smaller entities may be able to use the entire population of employees for their estimate calculations, as they already track sick leave earned and used by employee. It is recommended that if entities have smaller populations of employees, the entire population be used for its estimates, as opposed to the use of sampling. Additionally, for larger entities that use a sampling approach, it is recommended that the basis for the sample size be documented (i.e., why the chosen sample size was used and why is it reasonable compared for the entity).

Regardless of the sampling approach, entities should document why they believe that the usage percent and other assumptions in their calculations for both the total liability and the current portion of the liability are reasonable.



This calculation is illustrated as follows:

**BALANCE OF SICK LEAVE**  
MUNICIPAL EMPLOYEES

EMPLOYEE ID	DEPARTMENT	FUNCTION	Hours Balance			Hours Balance			Hours Balance			Hourly Pay Rate	Hourly Pay Rate	
			1/1/2022	HOURS EARNED	HOURS USED	12/31/2022	HOURS EARNED	HOURS USED	12/31/2023	HOURS EARNED	HOURS USED			12/31/2024
Employee #1	City Mgr's Office	General Gov't	10	80	40	50	80	60	70	80	32	118	\$25.00	\$25.75
Employee #2	City Mgr's Office	General Gov't	440	80	66	454	80	36	498	80	46	532	\$40.00	\$41.20
Employee #3	City Clerk's Office	General Gov't	372	80	64	388	80	38	430	80	42	468	\$30.00	\$30.90
Employee #4	City Clerk's Office	General Gov't	96	80	64	112	80	40	152	80	20	212	\$26.50	\$27.30
Employee #5	City Clerk's Office	General Gov't	460	80	64	476	80	72	484	80	76	488	\$35.00	\$36.05
Employee #6	Finance	General Gov't	66	80	44	102	80	70	112	80	24	168	\$45.00	\$46.35
Employee #7	Finance	General Gov't	112	80	72	120	80	54	146	80	52	174	\$52.00	\$53.56
Employee #8	Building Dept	General Gov't	78	80	16	142	80	80	142	80	38	184	\$28.00	\$28.84
Employee #9	Building Dept	General Gov't	164	80	50	194	80	36	238	80	26	292	\$34.00	\$35.02
Employee #10	Building Dept	General Gov't	74	80	28	126	80	44	162	80	24	218	\$30.00	\$30.90
Employee #11	Building Dept	General Gov't	150	80	24	206	80	58	228	80	22	286	\$43.00	\$44.29
Employee #12	Public Works Dept	Public Works	2	80	40	42	80	14	108	80	76	112	\$46.00	\$47.38
Employee #13	Public Works Dept	Public Works	450	80	58	472	80	52	500	80	56	524	\$32.00	\$32.96
Employee #14	Public Works Dept	Public Works	298	80	32	346	80	42	384	80	78	386	\$26.00	\$26.78
Employee #15	Public Works Dept	Public Works	266	80	78	268	80	24	324	80	22	382	\$34.00	\$35.02
Employee #16	Public Works Dept	Public Works	220	80	50	250	80	40	290	80	32	338	\$25.00	\$25.75
Employee #17	Public Works Dept	Public Works	428	80	64	444	80	64	460	80	66	474	\$32.00	\$32.96
Employee #18	Public Works Dept	Public Works	180	80	78	182	80	16	246	80	76	250	\$40.00	\$41.20
Employee #19	Public Works Dept	Public Works	406	80	36	450	80	72	458	80	16	522	\$27.00	\$27.81
Employee #20	Public Works Dept	Public Works	126	80	60	146	80	28	198	80	56	222	\$38.00	\$39.14
			<b>4,398</b>	<b>1,600</b>	<b>1,028</b>	<b>4,970</b>	<b>1,600</b>	<b>940</b>	<b>5,630</b>	<b>1,600</b>	<b>880</b>	<b>6,350</b>		

USAGE SAMPLE

EMPLOYEE ID	DEPARTMENT	FUNCTION	Hours Balance	HOURS EARNED	HOURS USED	Hours Balance	HOURS EARNED	HOURS USED	Hours Balance	HOURS EARNED	HOURS USED	Hours Balance	Usage %	Usage %	Usage %	3 YEAR AVERAGE
			1/1/2022			12/31/2022			12/31/2023			12/31/2024				
Employee #2	City Mgr's Office	General Gov't	440	80	66	454	80	36	498	80	46	532	83%	45%	58%	62%
Employee #4	City Clerk's Office	General Gov't	96	80	64	112	80	40	152	80	20	212	80%	50%	25%	52%
Employee #6	Finance	General Gov't	66	80	44	102	80	70	112	80	24	168	55%	88%	30%	58%
Employee #8	Building Dept	General Gov't	78	80	16	142	80	80	142	80	38	184	20%	100%	48%	56%
Employee #10	Building Dept	General Gov't	74	80	28	126	80	44	162	80	24	218	35%	55%	30%	40%
Employee #12	Public Works Dept	Public Works	2	80	40	42	80	14	108	80	76	112	50%	18%	95%	54%
Employee #14	Public Works Dept	Public Works	298	80	32	346	80	42	384	80	78	386	40%	53%	98%	63%
Employee #15	Public Works Dept	Public Works	266	80	78	268	80	24	324	80	22	382	98%	30%	28%	52%
Employee #17	Public Works Dept	Public Works	428	80	64	444	80	64	460	80	66	474	80%	80%	83%	81%
Employee #20	Public Works Dept	Public Works	126	80	60	146	80	28	198	80	56	222	75%	35%	70%	60%

<b>1,874</b>	<b>800</b>	<b>492</b>	<b>2,182</b>	<b>800</b>	<b>442</b>	<b>2,540</b>	<b>800</b>	<b>450</b>	<b>2,890</b>
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Average Usage %	<b>62%</b>	<b>55%</b>	<b>56%</b>
3 Year Average Usage			<b>58%</b>



**CALCULATION OF LIABILITY**  
BEGINNING BALANCE

EMPLOYEE ID	DEPARTMENT	FUNCTION	Hours	USAGE	Leave	Medicare	Social Security	Total Liability	Current
			Balance			(1.45%)	(6.2%)		Portion
			12/31/2023		12/31/2023	12/31/2023	12/31/2023	12/31/2023	12/31/2023
Employee #1	City Mgr's Office	General Gov't	70	40.37	\$1,009.17	\$14.63	\$62.57	\$1,086.37	\$611.08
Employee #2	City Mgr's Office	General Gov't	498	287.18	\$11,487.20	\$166.56	\$712.21	\$12,365.97	\$6,955.86
Employee #3	City Clerk's Office	General Gov't	430	247.97	\$7,439.00	\$107.87	\$461.22	\$8,008.08	\$4,504.55
Employee #4	City Clerk's Office	General Gov't	152	87.65	\$2,322.81	\$33.68	\$144.01	\$2,500.51	\$1,406.54
Employee #5	City Clerk's Office	General Gov't	484	279.11	\$9,768.73	\$141.65	\$605.66	\$10,516.04	\$5,915.27
Employee #6	Finance	General Gov't	112	64.59	\$2,906.40	\$42.14	\$180.20	\$3,128.74	\$1,759.92
Employee #7	Finance	General Gov't	146	84.19	\$4,378.05	\$63.48	\$271.44	\$4,712.97	\$2,651.05
Employee #8	Building Dept	General Gov't	142	81.89	\$2,292.83	\$33.25	\$142.16	\$2,468.23	\$1,388.38
Employee #9	Building Dept	General Gov't	238	137.25	\$4,666.39	\$67.66	\$289.32	\$5,023.37	\$2,825.64
Employee #10	Building Dept	General Gov't	162	93.42	\$2,802.60	\$40.64	\$173.76	\$3,017.00	\$1,697.06
Employee #11	Building Dept	General Gov't	228	131.48	\$5,653.64	\$81.98	\$350.53	\$6,086.14	\$3,423.46
Employee #12	Public Works Dept	Public Works	108	62.28	\$2,864.88	\$41.54	\$177.62	\$3,084.04	\$1,734.77
Employee #13	Public Works Dept	Public Works	500	288.33	\$9,226.67	\$133.79	\$572.05	\$9,932.51	\$5,587.04
Employee #14	Public Works Dept	Public Works	384	221.44	\$5,757.44	\$83.48	\$356.96	\$6,197.88	\$3,486.31
Employee #15	Public Works Dept	Public Works	324	186.84	\$6,352.56	\$92.11	\$393.86	\$6,838.53	\$3,846.67
Employee #16	Public Works Dept	Public Works	290	167.23	\$4,180.83	\$60.62	\$259.21	\$4,500.67	\$2,531.63
Employee #17	Public Works Dept	Public Works	460	265.27	\$8,488.53	\$123.08	\$526.29	\$9,137.91	\$5,140.07
Employee #18	Public Works Dept	Public Works	246	141.86	\$5,674.40	\$82.28	\$351.81	\$6,108.49	\$3,436.03
Employee #19	Public Works Dept	Public Works	458	264.11	\$7,131.06	\$103.40	\$442.13	\$7,676.59	\$4,318.08
Employee #20	Public Works Dept	Public Works	198	114.18	\$4,338.84	\$62.91	\$269.01	\$4,670.76	\$2,627.30
			<b>5,630</b>	<b>3,246.63</b>	<b>\$108,742.03</b>	<b>\$1,576.76</b>	<b>\$6,742.01</b>	<b>\$117,060.80</b>	<b>\$65,846.70</b>
				58%					56%

**CALCULATION OF LIABILITY**  
ENDING BALANCE

EMPLOYEE ID	DEPARTMENT	FUNCTION	Hours	USAGE	Leave	Medicare	Social Security	Total Liability	Current Portion
			Balance			(1.45%)	(6.2%)		
			12/31/2024		12/31/2024	12/31/2024	12/31/2024	12/31/2024	12/31/2024
Employee #1	City Mgr's Office	General Gov't	118	68.05	\$1,752.20	\$25.41	\$108.64	\$1,886.25	\$1,061.01
Employee #2	City Mgr's Office	General Gov't	532	306.79	\$12,639.61	\$183.27	\$783.66	\$13,606.54	\$7,653.68
Employee #3	City Clerk's Office	General Gov't	468	269.88	\$8,339.29	\$120.92	\$517.04	\$8,977.25	\$5,049.70
Employee #4	City Clerk's Office	General Gov't	212	122.25	\$3,336.90	\$48.39	\$206.89	\$3,592.18	\$2,020.60
Employee #5	City Clerk's Office	General Gov't	488	281.41	\$10,144.95	\$147.10	\$628.99	\$10,921.04	\$6,143.08
Employee #6	Finance	General Gov't	168	96.88	\$4,490.39	\$65.11	\$278.40	\$4,833.90	\$2,719.07
Employee #7	Finance	General Gov't	174	100.34	\$5,374.21	\$77.93	\$333.20	\$5,785.34	\$3,254.25
Employee #8	Building Dept	General Gov't	184	106.11	\$3,060.12	\$44.37	\$189.73	\$3,294.22	\$1,853.00
Employee #9	Building Dept	General Gov't	292	168.39	\$5,896.90	\$85.51	\$365.61	\$6,348.01	\$3,570.76
Employee #10	Building Dept	General Gov't	218	125.71	\$3,884.54	\$56.33	\$240.84	\$4,181.71	\$2,352.21
Employee #11	Building Dept	General Gov't	286	164.93	\$7,304.60	\$105.92	\$452.89	\$7,863.40	\$4,423.16
Employee #12	Public Works Dept	Public Works	112	64.59	\$3,060.12	\$44.37	\$189.73	\$3,294.22	\$1,853.00
Employee #13	Public Works Dept	Public Works	524	302.17	\$9,959.63	\$144.41	\$617.50	\$10,721.54	\$6,030.87
Employee #14	Public Works Dept	Public Works	386	222.59	\$5,961.05	\$86.44	\$369.59	\$6,417.07	\$3,609.60
Employee #15	Public Works Dept	Public Works	382	220.29	\$7,714.44	\$111.86	\$478.30	\$8,304.59	\$4,671.33
Employee #16	Public Works Dept	Public Works	338	194.91	\$5,019.02	\$72.78	\$311.18	\$5,402.97	\$3,039.17
Employee #17	Public Works Dept	Public Works	474	273.34	\$9,009.29	\$130.63	\$558.58	\$9,698.50	\$5,455.40
Employee #18	Public Works Dept	Public Works	250	144.17	\$5,939.67	\$86.13	\$368.26	\$6,394.05	\$3,596.65
Employee #19	Public Works Dept	Public Works	522	301.02	\$8,371.37	\$121.38	\$519.02	\$9,011.78	\$5,069.12
Employee #20	Public Works Dept	Public Works	222	128.02	\$5,010.70	\$72.66	\$310.66	\$5,394.02	\$3,034.14
			<b>6,350</b>	<b>3,661.83</b>	<b>\$126,269.00</b>	<b>\$1,830.90</b>	<b>\$7,828.68</b>	<b>\$135,928.58</b>	<b>\$76,459.82</b>
				58%					56%



# CASE STUDY

## CALCULATIONS, CON'T

### VACATION LEAVE FOR MUNICIPAL EMPLOYEES

The second calculation will focus on vacation leave for municipal employees. Similar to sick leave, the City identifies and analyzes all settlement paths to determine if any portion should be excluded from the compensated absences liability at both the beginning and end of the year. From the assumptions above, as the only settlement paths for vacation leave are cash payment at termination or use during the year (no forfeitures of vacation time is noted as a possible settlement path), there would be no components of the accrued but unused vacation time to be excluded from the calculation. Usage analysis would still be required to determine the amount of vacation time that is settled within one year and would follow the same analysis as sick time. The liability is calculated for both the beginning and end of the period. The hours subject to accrual are multiplied by the applicable pay rate at both points in time. Additionally, the amount of the liability that is subject to Social Security and Medicare taxes are multiplied by the applicable tax rate and added to the total liability for each period (i.e., the applicable salary-related payments).

#### SIKICH OBSERVATION

In many cases, an entity's vacation leave liability under the GASB statement will be the same as it was under the previous guidance. This is due to the fact that many entities provide for cash settlement of any accrued but unused vacation leave at termination.



This calculation is illustrated as follows:

**BALANCE OF VACATION LEAVE**  
MUNICIPAL EMPLOYEES

EMPLOYEE ID	DEPARTMENT	FUNCTION	Hours Balance			Hours Balance			Hours Balance			Hourly Pay Rate	Hourly Pay Rate	
			1/1/2022	HOURS EARNED	HOURS USED	12/31/2022	HOURS EARNED	HOURS USED	12/31/2023	HOURS EARNED	HOURS USED			12/31/2024
Employee #1	City Mgr's Office	General Gov't	80	80	160	-	80	40	40	80	60	60	\$25.00	\$25.75
Employee #2	City Mgr's Office	General Gov't	120	120	80	160	120	160	120	120	60	180	\$40.00	\$41.20
Employee #3	City Clerk's Office	General Gov't	40	80	100	20	80	100	-	80	40	40	\$30.00	\$30.90
Employee #4	City Clerk's Office	General Gov't	-	80	40	40	80	40	80	80	48	112	\$26.50	\$27.30
Employee #5	City Clerk's Office	General Gov't	160	160	64	256	160	200	216	160	80	296	\$35.00	\$36.05
Employee #6	Finance	General Gov't	-	240	40	200	240	400	40	240	200	80	\$45.00	\$46.35
Employee #7	Finance	General Gov't	200	80	120	160	80	200	40	80	120	-	\$52.00	\$53.56
Employee #8	Building Dept	General Gov't	80	160	240	-	160	160	-	160	40	120	\$28.00	\$28.84
Employee #9	Building Dept	General Gov't	160	200	100	260	200	240	220	200	80	340	\$34.00	\$35.02
Employee #10	Building Dept	General Gov't	80	200	120	160	200	240	120	200	120	200	\$30.00	\$30.90
Employee #11	Building Dept	General Gov't	160	80	40	200	80	240	40	80	100	20	\$43.00	\$44.29
Employee #12	Public Works Dept	Public Works	-	120	60	60	120	100	80	120	80	120	\$46.00	\$47.38
Employee #13	Public Works Dept	Public Works	400	120	80	440	120	360	200	120	100	220	\$32.00	\$32.96
Employee #14	Public Works Dept	Public Works	240	80	40	280	80	80	280	80	72	288	\$26.00	\$26.78
Employee #15	Public Works Dept	Public Works	280	80	200	160	80	40	200	80	200	80	\$34.00	\$35.02
Employee #16	Public Works Dept	Public Works	220	80	120	180	80	80	180	80	40	220	\$25.00	\$25.75
Employee #17	Public Works Dept	Public Works	400	160	160	400	160	64	496	160	120	536	\$32.00	\$32.96
Employee #18	Public Works Dept	Public Works	320	160	200	280	160	56	384	160	60	484	\$40.00	\$41.20
Employee #19	Public Works Dept	Public Works	400	200	400	200	200	72	328	200	280	248	\$27.00	\$27.81
Employee #20	Public Works Dept	Public Works	120	240	60	300	240	120	420	240	360	300	\$38.00	\$39.14
			<b>3,460</b>	<b>2,720</b>	<b>2,424</b>	<b>3,756</b>	<b>2,720</b>	<b>2,992</b>	<b>3,484</b>	<b>2,720</b>	<b>2,260</b>	<b>3,944</b>		



USAGE SAMPLE

EMPLOYEE ID	DEPARTMENT	FUNCTION	Hours Balance	Hours Balance			Hours Balance	Hours Balance			Hours Balance	Usage %	Usage %	Usage %	3 YEAR AVERAGE	
			1/1/2022	HOURS EARNED	HOURS USED	12/31/2022	HOURS EARNED	HOURS USED	12/31/2023	HOURS EARNED	HOURS USED	12/31/2024	12/31/2022	12/31/2023		12/31/2024
Employee #2	City Mgr's Office	General Gov't	120	120	80	160	120	160	120	120	60	180	67%	133%	50%	83%
Employee #4	City Clerk's Office	General Gov't	-	80	40	40	80	40	80	80	48	112	50%	50%	60%	53%
Employee #6	Finance	General Gov't	-	240	40	200	240	400	40	240	200	80	17%	167%	83%	89%
Employee #8	Building Dept	General Gov't	80	160	240	-	160	160	-	160	40	120	150%	100%	25%	92%
Employee #10	Building Dept	General Gov't	80	200	120	160	200	240	120	200	120	200	60%	120%	60%	80%
Employee #12	Public Works Dept	Public Works	-	120	60	60	120	100	80	120	80	120	50%	83%	67%	67%
Employee #14	Public Works Dept	Public Works	240	80	40	280	80	80	280	80	72	288	50%	100%	90%	80%
Employee #15	Public Works Dept	Public Works	280	80	200	160	80	40	200	80	200	80	250%	50%	250%	183%
Employee #17	Public Works Dept	Public Works	400	160	160	400	160	64	496	160	120	536	100%	40%	75%	72%
Employee #20	Public Works Dept	Public Works	120	240	60	300	240	120	420	240	360	300	25%	50%	150%	75%
			<b>1,320</b>	<b>1,480</b>	<b>1,040</b>	<b>1,760</b>	<b>1,480</b>	<b>1,404</b>	<b>1,836</b>	<b>1,480</b>	<b>1,300</b>	<b>2,016</b>				
Average Usage %													<b>82%</b>	<b>89%</b>	<b>91%</b>	
3 Year Average Usage															<b>87%</b>	

**CALCULATION OF LIABILITY**  
BEGINNING BALANCE

EMPLOYEE ID	DEPARTMENT	FUNCTION	Hours Balance		Leave	Medicare	Social Security	Total Liability	Current Portion
			12/31/2023	USAGE		12/31/2023	12/31/2023	12/31/2023	12/31/2023
Employee #1	City Mgr's Office	General Gov't	40	40	\$1,000.00	\$14.50	\$62.00	\$1,076.50	\$979.62
Employee #2	City Mgr's Office	General Gov't	120	120	\$4,800.00	\$69.60	\$297.60	\$5,167.20	\$4,702.15
Employee #3	City Clerk's Office	General Gov't	-	-	\$-	\$-	\$-	\$-	\$-
Employee #4	City Clerk's Office	General Gov't	80	80	\$2,120.00	\$30.74	\$131.44	\$2,282.18	\$2,076.78
Employee #5	City Clerk's Office	General Gov't	216	216	\$7,560.00	\$109.62	\$468.72	\$8,138.34	\$7,405.89
Employee #6	Finance	General Gov't	40	40	\$1,800.00	\$26.10	\$111.60	\$1,937.70	\$1,763.31
Employee #7	Finance	General Gov't	40	40	\$2,080.00	\$30.16	\$128.96	\$2,239.12	\$2,037.60
Employee #8	Building Dept	General Gov't	-	-	\$-	\$-	\$-	\$-	\$-
Employee #9	Building Dept	General Gov't	220	220	\$7,480.00	\$108.46	\$463.76	\$8,052.22	\$7,327.52
Employee #10	Building Dept	General Gov't	120	120	\$3,600.00	\$52.20	\$223.20	\$3,875.40	\$3,526.61
Employee #11	Building Dept	General Gov't	40	40	\$1,720.00	\$24.94	\$106.64	\$1,851.58	\$1,684.94
Employee #12	Public Works	Public Works	80	80	\$3,680.00	\$53.36	\$228.16	\$3,961.52	\$3,604.98
Employee #13	Public Works	Public Works	200	200	\$6,400.00	\$92.80	\$396.80	\$6,889.60	\$6,269.54
Employee #14	Public Works	Public Works	280	280	\$7,280.00	\$105.56	\$451.36	\$7,836.92	\$7,131.60
Employee #15	Public Works	Public Works	200	200	\$6,800.00	\$98.60	\$421.60	\$7,320.20	\$6,661.38
Employee #16	Public Works	Public Works	180	180	\$4,500.00	\$65.25	\$279.00	\$4,844.25	\$4,408.27
Employee #17	Public Works	Public Works	496	496	\$15,872.00	\$230.14	\$984.06	\$17,086.21	\$15,548.45
Employee #18	Public Works	Public Works	384	384	\$15,360.00	\$222.72	\$952.32	\$16,535.04	\$15,046.89
Employee #19	Public Works	Public Works	328	328	\$8,856.00	\$128.41	\$549.07	\$9,533.48	\$8,675.47
Employee #20	Public Works	Public Works	420	420	\$15,960.00	\$231.42	\$989.52	\$17,180.94	\$15,634.66
			<b>3,484</b>	<b>3,484</b>	<b>\$116,868.00</b>	<b>\$1,694.59</b>	<b>\$7,245.82</b>	<b>\$125,808.40</b>	<b>\$114,485.65</b>
				100%					91%



**CALCULATION OF LIABILITY**  
ENDING BALANCE

EMPLOYEE ID	DEPARTMENT	FUNCTION	Hours	USAGE	Leave	Medicare	Social Security	Total	Current
			Balance			(1.45%)	(6.2%)	Liability	Portion
			12/31/24		12/31/24	12/31/24	12/31/24	12/31/24	12/31/24
Employee #1	City Mgr's Office	General Gov't	60	60.00	\$1,545.00	\$22.40	\$95.79	\$1,663.19	\$1,513.51
Employee #2	City Mgr's Office	General Gov't	180	180.00	\$7,416.00	\$107.53	\$459.79	\$7,983.32	\$7,264.82
Employee #3	City Clerk's Office	General Gov't	40	40.00	\$1,236.00	\$17.92	\$76.63	\$1,330.55	\$1,210.80
Employee #4	City Clerk's Office	General Gov't	112	112.00	\$3,057.04	\$44.33	\$189.54	\$3,290.90	\$2,994.72
Employee #5	City Clerk's Office	General Gov't	296	296.00	\$10,670.80	\$154.73	\$661.59	\$11,487.12	\$10,453.28
Employee #6	Finance	General Gov't	80	80.00	\$3,708.00	\$53.77	\$229.90	\$3,991.66	\$3,632.41
Employee #7	Finance	General Gov't	-	-	\$-	\$-	\$-	\$-	\$-
Employee #8	Building Dept	General Gov't	120	120.00	\$3,460.80	\$50.18	\$214.57	\$3,725.55	\$3,390.25
Employee #9	Building Dept	General Gov't	340	340.00	\$11,906.80	\$172.65	\$738.22	\$12,817.67	\$11,664.08
Employee #10	Building Dept	General Gov't	200	200.00	\$6,180.00	\$89.61	\$383.16	\$6,652.77	\$6,054.02
Employee #11	Building Dept	General Gov't	20	20.00	\$885.80	\$12.84	\$54.92	\$953.56	\$867.74
Employee #12	Public Works	Public Works	120	120.00	\$5,685.60	\$82.44	\$352.51	\$6,120.55	\$5,569.70
Employee #13	Public Works	Public Works	220	220.00	\$7,251.20	\$105.14	\$449.57	\$7,805.92	\$7,103.38
Employee #14	Public Works	Public Works	288	288.00	\$7,712.64	\$111.83	\$478.18	\$8,302.66	\$7,555.42
Employee #15	Public Works	Public Works	80	80.00	\$2,801.60	\$40.62	\$173.70	\$3,015.92	\$2,744.49
Employee #16	Public Works	Public Works	220	220.00	\$5,665.00	\$82.14	\$351.23	\$6,098.37	\$5,549.52
Employee #17	Public Works	Public Works	536	536.00	\$17,666.56	\$256.17	\$1,095.33	\$19,018.05	\$17,306.43
Employee #18	Public Works	Public Works	484	484.00	\$19,940.80	\$289.14	\$1,236.33	\$21,466.27	\$19,534.31
Employee #19	Public Works	Public Works	248	248.00	\$6,896.88	\$100.00	\$427.61	\$7,424.49	\$6,756.29
Employee #20	Public Works	Public Works	300	300.00	\$11,742.00	\$170.26	\$728.00	\$12,640.26	\$11,502.64
			<b>3,944</b>	<b>3,944.00</b>	<b>\$135,428.52</b>	<b>\$1,963.71</b>	<b>\$8,396.57</b>	<b>\$145,788.80</b>	<b>\$132,667.81</b>
				100%					91%

# CASE STUDY

## CALCULATIONS, CON'T

### SICK LEAVE FOR PUBLIC SAFETY UNION EMPLOYEES

The third calculation pertains to sick leave for public safety union employees. The same analysis on settlement paths and usage is required to determine if any portions of the accrued but unused sick leave would be excluded from the liability, as well as determine the current portion of the liability. When considering the assumptions, similar to municipal employee vacation leave, public safety employee sick leave does not have any settlement provisions that would require exclusion from the compensated absence liability. The liability is calculated for both the beginning and end of the period. The hours subject to accrual are multiplied by the applicable pay rate at both points in time. Additionally, the amount of the liability that is subject to Social Security and Medicare taxes are multiplied by the applicable tax rate and added to the total liability for each period (i.e., the applicable salary-related payments).

#### SIKICH OBSERVATION

After each calculation, we recommend that entities use a “step back” approach to review the calculation results and determine if it is reasonable based on the entity’s operations. This requires judgment from entity management, and that judgment would be considered by the entity’s external auditors as well.



This calculation is illustrated as follows:

**BALANCE OF SICK LEAVE**  
PUBLIC SAFETY EMPLOYEES

EMPLOYEE ID	Hours Balance		Hours Balance			Hours Balance			Hours Balance		Hourly Pay Rate	Hourly Pay Rate
	1/1/22	HOURS EARNED	HOURS USED	12/31/22	HOURS EARNED	HOURS USED	12/31/23	HOURS EARNED	HOURS USED	12/31/24	12/31/23	12/31/24
PS Employee #1	200	120	200	120	120	200	40	120	100	60	\$30.00	\$25.75
PS Employee #2	120	120	140	100	120	160	60	120	100	80	\$30.00	\$30.90
PS Employee #3	40	120	160	-	120	100	20	120	80	60	\$30.00	\$30.90
PS Employee #4	160	120	120	160	120	200	80	120	80	120	\$30.00	\$30.90
PS Employee #5	20	120	64	76	120	120	76	120	120	76	\$30.00	\$30.90
PS Employee #6	10	160	160	10	160	80	90	160	200	50	\$40.00	\$41.20
PS Employee #7	40	160	200	-	160	120	40	160	120	80	\$40.00	\$41.20
PS Employee #8	240	160	160	240	160	160	240	160	40	360	\$40.00	\$41.20
PS Employee #9	40	160	120	80	160	240	-	160	80	80	\$40.00	\$41.20
PS Employee #10	100	160	100	160	160	160	160	160	200	120	\$45.00	\$46.35
PS Employee #11	120	200	80	240	200	200	240	200	200	240	\$50.00	\$51.50
PS Employee #12	160	200	240	120	200	120	200	200	240	160	\$50.00	\$51.50
PS Employee #13	100	200	120	180	200	360	20	200	220	-	\$50.00	\$51.50
PS Employee #14	40	200	120	120	200	80	240	200	120	320	\$55.00	\$56.65
PS Employee #15	80	200	160	120	200	40	280	200	320	160	\$55.00	\$56.65
	<b>1,470</b>	<b>2,400</b>	<b>2,144</b>	<b>1,726</b>	<b>2,400</b>	<b>2,340</b>	<b>1,786</b>	<b>2,400</b>	<b>2,220</b>	<b>1,966</b>		



USAGE SAMPLE

EMPLOYEE ID	Hours Balance	HOURS EARNED	HOURS USED	Hours Balance	HOURS EARNED	HOURS USED	Hours Balance	HOURS EARNED	HOURS USED	Hours Balance	Usage %	Usage %	Usage %	3 YEAR AVERAGE
	1/1/22			12/31/22			12/31/23			12/31/24	12/31/22	12/31/23	12/31/24	
PS Employee #1	200	120	200	120	120	200	40	120	100	60	167%	167%	83%	139%
PS Employee #3	40	120	160	-	120	100	20	120	80	60	133%	83%	67%	94%
PS Employee #4	160	120	120	160	120	200	80	120	80	120	100%	167%	67%	111%
PS Employee #6	10	160	160	10	160	80	90	160	200	50	100%	50%	125%	92%
PS Employee #7	40	160	200	-	160	120	40	160	120	80	125%	75%	75%	92%
PS Employee #10	100	160	100	160	160	160	160	160	200	120	63%	100%	125%	96%
PS Employee #11	120	200	80	240	200	200	240	200	200	240	40%	100%	100%	80%
PS Employee #13	100	200	120	180	200	360	20	200	220	-	60%	180%	110%	117%
PS Employee #14	40	200	120	120	200	80	240	200	120	320	60%	40%	60%	53%
PS Employee #15	80	200	160	120	200	40	280	200	320	160	80%	20%	160%	87%
	<b>890</b>	<b>1,640</b>	<b>1,420</b>	<b>1,110</b>	<b>1,640</b>	<b>1,540</b>	<b>1,210</b>	<b>1,640</b>	<b>1,640</b>	<b>1,210</b>				
Average Usage %											<b>93%</b>	<b>98%</b>	<b>97%</b>	
3 Year Average Usage													<b>96%</b>	

**CALCULATION OF LIABILITY**  
BEGINNING BALANCE

EMPLOYEE ID	Hours Balance	USAGE	Leave	Medicare (1.45%)	Social Security (6.2%)	Total Liability	Current Portion
	12/31/23		12/31/23	12/31/23	12/31/23	12/31/23	12/31/23
PS Employee #1	40	40	\$1,200.00	\$17.40	\$74.40	\$1,291.80	\$1,255.20
PS Employee #2	60	60	\$1,800.00	\$26.10	\$111.60	\$1,937.70	\$1,882.80
PS Employee #3	20	20	\$600.00	\$8.70	\$37.20	\$645.90	\$627.60
PS Employee #4	80	80	\$2,400.00	\$34.80	\$148.80	\$2,583.60	\$2,510.40
PS Employee #5	76	76	\$2,280.00	\$33.06	\$141.36	\$2,454.42	\$2,384.88
PS Employee #6	90	90	\$3,600.00	\$52.20	\$223.20	\$3,875.40	\$3,765.60
PS Employee #7	40	40	\$1,600.00	\$23.20	\$99.20	\$1,722.40	\$1,673.60
PS Employee #8	240	240	\$9,600.00	\$139.20	\$595.20	\$10,334.40	\$10,041.59
PS Employee #9	-	-	\$-	\$-	\$-	\$-	\$-
PS Employee #10	160	160	\$7,200.00	\$104.40	\$446.40	\$7,750.80	\$7,531.19
PS Employee #11	240	240	\$12,000.00	\$174.00	\$744.00	\$12,918.00	\$12,551.99
PS Employee #12	200	200	\$10,000.00	\$145.00	\$620.00	\$10,765.00	\$10,459.99
PS Employee #13	20	20	\$1,000.00	\$14.50	\$62.00	\$1,076.50	\$1,046.00
PS Employee #14	240	240	\$13,200.00	\$191.40	\$818.40	\$14,209.80	\$13,807.19
PS Employee #15	280	280	\$15,400.00	\$223.30	\$954.80	\$16,578.10	\$16,108.39
	<b>1,786</b>	<b>1,786</b>	<b>\$81,880.00</b>	<b>\$1,187.26</b>	<b>\$5,076.56</b>	<b>\$88,143.82</b>	<b>\$85,646.41</b>
			100%				97%

**CALCULATION OF LIABILITY**  
ENDING BALANCE

EMPLOYEE ID	Hours Balance	USAGE	Leave	Medicare (1.45%)	Social Security (6.2%)	Total Liability	Current Portion
	12/31/24		12/31/24	12/31/24	12/31/24	12/31/24	12/31/24
PS Employee #1	60	60.00	\$1,545.00	\$22.40	\$95.79	\$1,663.19	\$1,616.07
PS Employee #2	80	80.00	\$2,472.00	\$35.84	\$153.26	\$2,661.11	\$2,585.71
PS Employee #3	60	60.00	\$1,854.00	\$26.88	\$114.95	\$1,995.83	\$1,939.28
PS Employee #4	120	120.00	\$3,708.00	\$53.77	\$229.90	\$3,991.66	\$3,878.56
PS Employee #5	76	76.00	\$2,348.40	\$34.05	\$145.60	\$2,528.05	\$2,456.42
PS Employee #6	50	50.00	\$2,060.00	\$29.87	\$127.72	\$2,217.59	\$2,154.76
PS Employee #7	80	80.00	\$3,296.00	\$47.79	\$204.35	\$3,548.14	\$3,447.61
PS Employee #8	360	360.00	\$14,832.00	\$215.06	\$919.58	\$15,966.65	\$15,514.26
PS Employee #9	80	80.00	\$3,296.00	\$47.79	\$204.35	\$3,548.14	\$3,447.61
PS Employee #10	120	120.00	\$5,562.00	\$80.65	\$344.84	\$5,987.49	\$5,817.85
PS Employee #11	240	240.00	\$12,360.00	\$179.22	\$766.32	\$13,305.54	\$12,928.55
PS Employee #12	160	160.00	\$8,240.00	\$119.48	\$510.88	\$8,870.36	\$8,619.03
PS Employee #13	-	-	\$-	\$-	\$-	\$-	\$-
PS Employee #14	320	320.00	\$18,128.00	\$262.86	\$1,123.94	\$19,514.79	\$18,961.87
PS Employee #15	160	160.00	\$9,064.00	\$131.43	\$561.97	\$9,757.40	\$9,480.94
	<b>1,966</b>	<b>1,966.00</b>	<b>\$88,765.40</b>	<b>\$1,287.10</b>	<b>\$5,503.45</b>	<b>\$95,555.95</b>	<b>\$92,848.53</b>
		100%					97%



# CASE STUDY

## CALCULATIONS, CON'T



### VACATION LEAVE FOR PUBLIC SAFETY UNION EMPLOYEES

The fourth calculation concerns vacation leave for public safety union employees. The same analysis on settlement paths and usage is required to determine if any portions of the accrued but unused sick leave would be excluded from the liability, as well as determine the current portion of the liability. When considering the assumptions, similar to municipal employee vacation leave, public safety employee vacation does not have any settlement provisions that would require exclusion from the compensated absence liability. The liability is calculated for both the beginning and end of the period. The hours subject to accrual are multiplied by the applicable pay rate at both points in time. Additionally, the amount of the liability that is subject to Social Security and Medicare taxes are multiplied by the applicable tax rate and added to the total liability for each period (i.e., the applicable salary-related payments).

This calculation is illustrated as follows:

**BALANCE OF VACATION LEAVE**  
PUBLIC SAFETY EMPLOYEES

EMPLOYEE ID	Hours Balance			Hours Balance			Hours Balance			Hours Balance	Hourly Pay Rate	Hourly Pay Rate
	1/1/22	HOURS EARNED	HOURS USED	12/31/22	HOURS EARNED	HOURS USED	12/31/23	HOURS EARNED	HOURS USED	12/31/24	12/31/23	12/31/24
PS Employee #1	100	120	120	100	120	120	100	120	100	120	\$30.00	\$25.75
PS Employee #2	120	120	80	160	120	160	120	120	100	140	\$30.00	\$30.90
PS Employee #3	160	120	200	80	120	200	-	120	80	40	\$30.00	\$30.90
PS Employee #4	100	120	120	100	120	160	60	120	80	100	\$30.00	\$30.90
PS Employee #5	40	120	80	80	120	80	120	120	120	120	\$30.00	\$30.90
PS Employee #6	80	160	120	120	160	120	160	160	200	120	\$40.00	\$41.20
PS Employee #7	40	160	120	80	160	160	80	160	120	120	\$40.00	\$41.20
PS Employee #8	240	160	240	160	160	200	120	160	40	240	\$40.00	\$41.20
PS Employee #9	40	160	160	40	160	160	40	160	80	120	\$40.00	\$41.20
PS Employee #10	200	160	100	260	160	200	220	160	200	180	\$45.00	\$46.35
PS Employee #11	160	200	120	240	200	160	280	200	200	280	\$50.00	\$51.50
PS Employee #12	120	200	240	80	200	120	160	200	240	120	\$50.00	\$51.50
PS Employee #13	100	200	160	140	200	320	20	200	220	-	\$50.00	\$51.50
PS Employee #14	80	200	160	120	200	120	200	200	120	280	\$55.00	\$56.65
PS Employee #15	80	200	200	80	200	160	120	200	320	-	\$55.00	\$56.65
	<b>1,660</b>	<b>2,400</b>	<b>2,220</b>	<b>1,840</b>	<b>2,400</b>	<b>2,440</b>	<b>1,800</b>	<b>2,400</b>	<b>2,220</b>	<b>1,980</b>		

USAGE SAMPLE

EMPLOYEE ID	Hours Balance	HOURS EARNED	HOURS USED	Hours Balance	HOURS EARNED	HOURS USED	Hours Balance	HOURS EARNED	HOURS USED	Hours Balance	Usage %	Usage %	Usage %	3 YEAR AVERAGE
	1/1/22			12/31/22			12/31/23			12/31/24	12/31/22	12/31/23	12/31/24	
PS Employee #1	100	120	120	100	120	120	100	120	100	120	100%	100%	83%	94%
PS Employee #3	160	120	200	80	120	200	-	120	80	40	167%	167%	67%	133%
PS Employee #4	100	120	120	100	120	160	60	120	80	100	100%	133%	67%	100%
PS Employee #6	80	160	120	120	160	120	160	160	200	120	75%	75%	125%	92%
PS Employee #7	40	160	120	80	160	160	80	160	120	120	75%	100%	75%	83%
PS Employee #10	200	160	100	260	160	200	220	160	200	180	63%	125%	125%	104%
PS Employee #11	160	200	120	240	200	160	280	200	200	280	60%	80%	100%	80%
PS Employee #13	100	200	160	140	200	320	20	200	220	-	80%	160%	110%	117%
PS Employee #14	80	200	160	120	200	120	200	200	120	280	80%	60%	60%	67%
PS Employee #15	80	200	200	80	200	160	120	200	320	-	100%	80%	160%	113%
	<b>1,100</b>	<b>1,640</b>	<b>1,420</b>	<b>1,320</b>	<b>1,640</b>	<b>1,720</b>	<b>1,240</b>	<b>1,640</b>	<b>1,640</b>	<b>1,240</b>				
Average Usage %											<b>90%</b>	<b>108%</b>	<b>97%</b>	
3 Year Average Usage													<b>98%</b>	



**CALCULATION OF LIABILITY**  
BEGINNING BALANCE

EMPLOYEE ID	Hours Balance	USAGE	Leave	Medicare (1.45%)	Social Security (6.2%)	Total Liability	Current Portion
	12/31/23		12/31/23	12/31/23	12/31/23	12/31/23	12/31/23
PS Employee #1	100	100	\$3,000.00	\$43.50	\$186.00	\$3,229.50	\$3,138.00
PS Employee #2	120	120	\$3,600.00	\$52.20	\$223.20	\$3,875.40	\$3,765.60
PS Employee #3	-	-	\$-	\$-	\$-	\$-	\$-
PS Employee #4	60	60	\$1,800.00	\$26.10	\$111.60	\$1,937.70	\$1,882.80
PS Employee #5	120	120	\$3,600.00	\$52.20	\$223.20	\$3,875.40	\$3,765.60
PS Employee #6	160	160	\$6,400.00	\$92.80	\$396.80	\$6,889.60	\$6,694.39
PS Employee #7	80	80	\$3,200.00	\$46.40	\$198.40	\$3,444.80	\$3,347.20
PS Employee #8	120	120	\$4,800.00	\$69.60	\$297.60	\$5,167.20	\$5,020.80
PS Employee #9	40	40	\$1,600.00	\$23.20	\$99.20	\$1,722.40	\$1,673.60
PS Employee #10	220	220	\$9,900.00	\$143.55	\$613.80	\$10,657.35	\$10,355.39
PS Employee #11	280	280	\$14,000.00	\$203.00	\$868.00	\$15,071.00	\$14,643.99
PS Employee #12	160	160	\$8,000.00	\$116.00	\$496.00	\$8,612.00	\$8,367.99
PS Employee #13	20	20	\$1,000.00	\$14.50	\$62.00	\$1,076.50	\$1,046.00
PS Employee #14	200	200	\$11,000.00	\$159.50	\$682.00	\$11,841.50	\$11,505.99
PS Employee #15	120	120	\$6,600.00	\$95.70	\$409.20	\$7,104.90	\$6,903.59
	<b>1,800</b>	<b>1,800</b>	<b>\$78,500.00</b>	<b>\$1,138.25</b>	<b>\$4,867.00</b>	<b>\$84,505.25</b>	<b>\$82,110.93</b>
		100%					97%

**CALCULATION OF LIABILITY**  
ENDING BALANCE

EMPLOYEE ID	Hours Balance	USAGE	Leave	Medicare (1.45%)	Social Security (6.2%)	Total Liability	Current Portion
	12/31/24		12/31/24	12/31/24	12/31/24	12/31/24	12/31/24
PS Employee #1	120	120.00	\$3,090.00	\$44.81	\$191.58	\$3,326.39	\$3,232.14
PS Employee #2	140	140.00	\$4,326.00	\$62.73	\$268.21	\$4,656.94	\$4,524.99
PS Employee #3	40	40.00	\$1,236.00	\$17.92	\$76.63	\$1,330.55	\$1,292.85
PS Employee #4	100	100.00	\$3,090.00	\$44.81	\$191.58	\$3,326.39	\$3,232.14
PS Employee #5	120	120.00	\$3,708.00	\$53.77	\$229.90	\$3,991.66	\$3,878.56
PS Employee #6	120	120.00	\$4,944.00	\$71.69	\$306.53	\$5,322.22	\$5,171.42
PS Employee #7	120	120.00	\$4,944.00	\$71.69	\$306.53	\$5,322.22	\$5,171.42
PS Employee #8	240	240.00	\$9,888.00	\$143.38	\$613.06	\$10,644.43	\$10,342.84
PS Employee #9	120	120.00	\$4,944.00	\$71.69	\$306.53	\$5,322.22	\$5,171.42
PS Employee #10	180	180.00	\$8,343.00	\$120.97	\$517.27	\$8,981.24	\$8,726.77
PS Employee #11	280	280.00	\$14,420.00	\$209.09	\$894.04	\$15,523.13	\$15,083.31
PS Employee #12	120	120.00	\$6,180.00	\$89.61	\$383.16	\$6,652.77	\$6,464.27
PS Employee #13	-	-	\$-	\$-	\$-	\$-	\$-
PS Employee #14	280	280.00	\$15,862.00	\$230.00	\$983.44	\$17,075.44	\$16,591.64
PS Employee #15	-	-	\$-	\$-	\$-	\$-	\$-
	<b>1,980</b>	<b>1,980.00</b>	<b>\$84,975.00</b>	<b>\$1,232.14</b>	<b>\$5,268.45</b>	<b>\$91,475.59</b>	<b>\$88,883.78</b>
		100%					97%

# CASE STUDY

# JOURNAL ENTRIES AND DISCLOSURES

Upon completion of the calculations of the beginning and ending balance liability by leave type and class of employee, the results are compared to the liability that was previously recorded on the financial statements. For purposes of this case study, we will assume that all employee activity is recorded in the governmental activities (no business-type activities in the City's reporting entity).

The journal entries to be posted are as follows:

## AGGREGATION OF RESULTS FOR JOURNAL ENTRIES

### Financial Statement Liability as of 12/31/2023

Sick Leave Liability as of 12/31/2023 - Municipal Employees	\$81,880.00	
Vacation Leave Liability as of 12/31/2023 - Municipal Employees	\$116,868.00	
Vacation Leave Liability as of 12/31/2023 - Public Safety Employees	\$78,500.00	
	<u>\$277,248.00</u>	a

### Restated Financial Statement Liability as of 12/31/2023

Sick Leave Liability as of 12/31/2023 - Municipal Employees	\$117,060.80	1
Vacation Leave Liability as of 12/31/2023 - Municipal Employees	\$125,808.40	2
Sick Leave Liability as of 12/31/2023 - Public Safety Employees	\$88,143.82	3
Vacation Leave Liability as of 12/31/2023 - Public Safety Employees	\$84,505.25	4
	<u>\$415,518.27</u>	b

### Financial Statement Liability Restatement as of 12/31/2023

	\$138,270.27	(b-a)
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### Financial Statement Liability as of 12/31/2024

Sick Leave Liability as of 12/31/2024 - Municipal Employees	\$135,928.58	5
Vacation Leave Liability as of 12/31/2024 - Municipal Employees	\$145,788.80	6
Sick Leave Liability as of 12/31/2024 - Public Safety Employees	\$95,555.95	7
Vacation Leave Liability as of 12/31/2024 - Public Safety Employees	\$91,475.59	8
	<u>\$468,748.92</u>	c

### Current Portion

Sick Leave Liability as of 12/31/2024 - Municipal Employees	\$76,459.82	
Vacation Leave Liability as of 12/31/2024 - Municipal Employees	\$132,667.81	
Sick Leave Liability as of 12/31/2024 - Public Safety Employees	\$92,848.53	
Vacation Leave Liability as of 12/31/2024 - Public Safety Employees	\$88,883.78	
	<u>\$390,859.95</u>	d

### Long-Term Portion

Sick Leave Liability as of 12/31/2024 - Municipal Employees	\$59,468.75	
Vacation Leave Liability as of 12/31/2024 - Municipal Employees	\$13,120.99	
Sick Leave Liability as of 12/31/2024 - Public Safety Employees	\$2,707.42	
Vacation Leave Liability as of 12/31/2024 - Public Safety Employees	\$2,591.81	
	<u>\$77,888.97</u>	(c-d)

### Net Additions/Deletions for year ended 12/31/2024

Municipal Employees	\$38,848.18	(5+6)-(1+2)
Public Safety Employees	\$14,382.47	(7+8)-(3+4)

### Municipal Employees Net Additions/Deletions by Function

Sick Leave Liability - General government	\$12,376.41	9
Sick Leave Liability - Public works	\$6,491.36	10
Vacation Leave Liability - General government	\$19,276.07	11
Vacation Leave Liability - Public works	\$704.33	12
	<u>\$38,848.18</u>	



**Journal Entry #1 - To restate the 12/31/2023 compensated absences liability for change in accounting principle**

	Debit	Credit	
Governmental Activities - Unrestricted Net Position	\$138,270.27		(b-a)
Compensated Absences Liability		\$138,270.27	(b-a)

**Journal Entry #2 - To adjust the compensated absences liability for 12/31/2024 activity**

	Debit	Credit	
General Government Expense	\$18,867.78		(9+10)
Public Works Expense	\$19,980.40		(11+12)
Public Safety Expense	\$14,382.47		(7+8)-(3+4)
Compensated Absences Liability - Current		\$390,859.95	d
Compensated Absences Liability - Long-Term	\$337,629.30		(c-d)

The preparation of the related footnotes is the final step. The first disclosure to update would include the summary of significant accounting policies (typically listed as the first footnote). The disclosure would then reflect the adoption of the GASB statement and feature a discussion on the components of the liability, including the types of leave accrued for, the inclusion of salary-related payments in the liability and various settlement paths that comprise the liability. This would expand on the existing disclosure that discusses the City's current policies informing readers about the nature of the accrual. The second disclosure would list the long-term debt roll forward that normally includes the disclosures for the compensated absences liability. The beginning balance of the roll forward should be adjusted to reflect the restatement due to the change in accounting principle, with the header having the description "restated." The change in liability that reflects the adjustment posted for the end of year balance can be included in either the additions or deletions column as a net adjustment (it is no longer required to present additions and deletions on a gross basis). If a net presentation is used, the footnotes require a disclosure that this is a net presentation, so it is clear to readers. The roll forward would also include the amount of the liability that is estimated to be settled within one year per above as the current portion of the liability (which would agree to the amounts presented on the financial statements). It is no longer required to disclose the fund typically used to liquidate the liability.

For the year of implementation, a separate disclosure in accordance with GASB Statement 100 is required, including a tabular reconciliation of net position previously presented and the amount of the current year restatement that reflects the change in accounting principle.





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## ABOUT SIKICH

Sikich is a global company specializing in technology-enabled professional services. With approximately 1,900 employees, Sikich draws on a diverse portfolio of technology solutions to deliver transformative digital strategies and ranks as one of the largest CPA firms in the United States. From corporations and not-for-profits to state and local governments and federal agencies, Sikich clients utilize a broad spectrum of services and products to help them improve performance and achieve long-term, strategic goals.

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