



May 28, 2021

Alan Skelton CPA  
Director of Research and Technical Activities, Project No. 4-7  
Governmental Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

Via email to: [director@gasb.org](mailto:director@gasb.org)

Dear Mr. Skelton:

The Financial Management Standards Board (FMSB) of the Association of Government Accountants (AGA) appreciates the opportunity to provide comments to the Governmental Accounting Standards Board (GASB) on its exposure draft (ED) of a proposed statement titled *Compensated Absences*. We generally agree with the ED's provisions and offer the following comments.

We agree that recognizing a liability for a compensated absence should be limited to instances where the leave benefit accumulates, is attributable to services rendered, and is more likely than not to be either paid or settled through other means. We appreciated the examples provided in Appendix C and consider them as informative and they appropriately apply the proposed guidance.

We consider the definition of "accumulates" in paragraph 8 as vital since there are various types of leave. For example, paid parental leave does not accumulate in the same fashion as sick or annual leave. Since the definition provides for a "carryforward" provision, we agree that paid parental leave constitutes a compensated absence liability.

Since the provisions of paragraph 12 require preparers to measure the portion of the liability that is more likely than not to be paid a rate different from the employee's pay rate at the time of payment, we request the board include an illustration of this event in the standard or an implementation guide question including an additional circumstance of when an across-the-board pay raise is anticipated (such as part of a labor contract extending years into the future) at the time of payment. If such a pay raise is more likely than not, should this pay raise be incorporated into the estimate? Or, as presented in paragraph 12, should the rate applied only be the one-half an employee's rate as of the balance sheet date?

Regarding the provisions of salary-related payments, we request clarification of the "directly associated" provision if the amount of the payment is a function of salary. If an employer-paid life insurance premium is based both on an employee's salary and their age, would such a circumstance qualify for inclusion as a salary-related payment?

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The FMSB is comprised of 24 members (listed below) with accounting and auditing backgrounds in federal, state, and local government, as well as academia and public accounting. The FMSB reviews and responds to proposed standards and regulations of interest to AGA members. The views of the FMSB do not necessarily represent those of AGA and the local AGA chapters and individual members are also encouraged to comment separately. If there are any questions regarding the comments in this letter, please contact me at (517) 334-8069.

Sincerely,



Craig M. Murray, CGFM, CPA, CIA  
Chair, Financial Management Standards Board

cc: Wendy Morton-Huddleston, CGFM, PMP, AGA National President

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