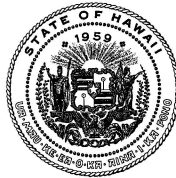


JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



KEITH A. REGAN
COMPTROLLER
KA LUNA HO'OMALU HANA LAULĀ

MEOH-LENG SILLIMAN
DEPUTY COMPTROLLER
KA HOPE LUNA HO'OMALU HANA LAULĀ

STATE OF HAWAII | KA MOKU'ĀINA O HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES | KA 'OIHANA LOIHELU A LAWELAWÉ LAULĀ
P.O. BOX 119, HONOLULU, HAWAII 96810-0119

July 2, 2025

COMPTROLLER'S MEMORANDUM NO. 2025-17

TO: Heads of Departments

Administrative, Fiscal, or Personnel Officers

FROM: Keith A. Regan, Comptroller

SUBJECT: Financial Statement Reporting for Compensated Absences As of
June 30, 2025 - Due **September 5, 2025**

This memorandum addresses the financial reporting of Compensated Absences as mandated by the attached Statement No. 101 of the Government Accounting Standards Board (GASB 101).

For the purposes of the uniform implementation of this Statement, the following shall be adhered to in determining the liabilities for Compensated Absences for financial reporting:

1. The requirements of the Statement are effective for the reporting period fiscal year 2025, and all reporting periods thereafter. However, for FY2025, since there is a change in accounting principle, GASB Statement No. 100 requires that a cumulative effect adjustment be recorded to the beginning net position or fund net position.
2. The determination and recognition for liabilities for compensated absences should cover all departmental officers and employees earning and accumulating leave credit benefits. Effective salary and wage rates as of June 30 of the reporting period should be used, which include shortage differentials. Do not include costs of Fringe Benefits, Department of Accounting and General Services (DAGS)-Accounting Division will include it in the consolidated reports. For Departments that issue separate financial statements, Fringe Benefits costs should be included in the computation for the liability for compensated absences in their respective financial statements.

In accordance with GASB 101, par. 26, salary-related payments (i.e., fringe rates) related to defined benefit pensions and Other Post-Employment Benefits (OPEB) should not be included in the measurement liabilities for compensated absences.

3. Types of Leave to be included.

A. Vacation Leave:

All unpaid or unused vacation leave balances as of June 30 for the reporting period must be included. Balances for vacation leave credits for each employee usually do not exceed 720 hours and it should never exceed 804 hours. The 84 hours excess of the 720 hours should be used during the succeeding months but should not exceed 720 hours by December 31, otherwise, the excess shall be forfeited, unless the excess hours are authorized to be used as time off in January. Since the measurement to recognize the liability is the same as in prior years, the balance reported as of June 30, 2024, is the beginning balance of the liability for compensated absences.

B. Compensatory Time Leave:

All unpaid or unused compensatory time leave balances as of June 30 for the reporting period must be included in the report. In most cases, the number of hours for each employee could accumulate a maximum of 240 hours, unless authorized by bargaining unit agreements. Since measurement to recognize the liability is the same as in prior years, the balance reported as of June 30, 2024, is the beginning balance of the liability for compensated absences.

C. Sick Leave:

Prior to the implementation of GASB 101, sick leave was not recognized in the financial statements and only disclosed in the notes to financial statements since the unpaid accumulated sick leave is not convertible to pay upon termination of employment. With the adoption of GASB 101, it is now required to measure and recognize liability for unpaid or unused sick leave that is more likely than not to be used or paid or settled through cash means.

For the initial implementation, with the historical information available in Hawaii Information Portal, the most practicable approach is measuring and recognizing the liabilities by the "average use" approach, for the leave taken by active employees for the period August 1, 2020 to June 30, 2025.

Departments or Agency Reporting Units with 1,000 or more current active employees may choose a representative sample or calculations could be performed for each employee group then aggregated, in estimating the amount for sick leave more likely than not to be taken as time-off. If the sampling method is chosen, the size of the sample is a matter of professional judgement and statistical validity may be a consideration. The documentation for the sampling methodology used in estimating the compensated absences liability for sick leave must be submitted with the report.

To compute the beginning balance of sick leave to be recognized as the liability for compensated absences, multiply the total value of Sick Leave as of June 30, 2024, by the average use of compensated absences computed as of June 30, 2025.

D. Leave Donation Pool or Leave Sharing Program:

In prior years, the liabilities for the leave donation pool or leave sharing program were not recognized in the financial statements. There are two types, namely: leave bank option and direct share option. The applicable rate to be used for the leave bank option shall be the average rate as of June 30 of the reporting period of entitled employees utilizing the leave donation. For the direct share option, the applicable rate shall be the rate as of June 30 of the reporting period of the employee entitled to use the leave specifically donated to such employee.

For FY 2025, the beginning balance of the liability for compensated absences would be the balance in hours as of June 30, 2024 multiplied by the effective average hourly rate of those utilizing the leave donation pool or the effective hourly rate as of June 30, 2024 of the employee using the direct share donated leave.

For the report that needs to be submitted, an electronic Template is attached and can be found at <https://ags.hawaii.gov/accounting/acfr-and-state-single-audit-forms/>. E-mail the completed form to bobet-urriel.obedoza@hawaii.gov no later than **September 5, 2025**.

If there any questions regarding this information, please contact Ladea Nash, Accounting System Administrator, Accounting Division, at 586-0600 or e-mail at ladea.m.nash@hawaii.gov.

Attachments