



FLORIDA GOVERNMENT FINANCE OFFICERS ASSOCIATION, INC.

Since 1937

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June 4, 2021

Alan Skelton, Director of Research and Technical Activities
Governmental Accounting Standards Board
401 Merritt 7
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Via email: director@gasb.org

Re: Project No. 4-7, *Compensated Absences*

Dear Mr. Skelton:

On behalf of the Florida Government Finance Officers Association (FGFOA), we are pleased to respond to the Governmental Accounting Standards Board's (GASB) Invitation to Comment on the Exposure Draft for Project No. 4-7, *Compensated Absences*. These comments were prepared based on a review by the FGFOA members, its Technical Resources Committee, and the Board of Directors.

Recognition and Measurement

We are concerned about recognizing a liability for all sick leave balances (paragraphs B12 & B14). We believe only a liability for the portion of sick leave that the government is obligated to pay at termination should be recognized; the vested portion. Many governments accrue sick time to a certain threshold; however, the government would not be obligated to pay for the accrued leave, except at time of retirement. Additionally, we believe that the third criteria under paragraph 7 "more likely than not to be paid or settled through other means" will potentially create inconsistencies in reporting.

We do not agree with the requirement to only use first-in-first-out (FIFO) method for the short-term portion accrual calculation (paragraph 14). We do not agree with requiring everyone to use one methodology for the estimation since it may be in direct conflict with state and local laws, union contracts, and local government policy. Additionally, requiring the use of a FIFO flows assumption is inconsistent with paragraph 10(a), which indicates that one of the relevant factors to consider is "the government's employment policies related to compensated absences." Consequently, we respectfully suggest that GASB considers making an exception to governments who use other rational and systematic methods that align with their policies and operations.

We concur with the removal of note disclosure requirements to show gross additions and deletions (rather than the net change) to compensated absences and the requirement to report the liquidating fund(s).

Relationship with Post-employment Benefits and Salary-Related Payments

We concur that accumulated leave that is more likely than not to be settled through conversion or leave that represents additional obligations related to the payment of services rendered to defined benefit pension and post-employment benefits, should not be included in the compensated absences liability. This requirement avoids double accounting or accounting for the liability in two different places; however, we do not agree with paragraphs 20 and B37. Salary-related payments to a defined contribution pension or OPEB plan should not be included in the measurement of the pension or OPEB liability and expense.

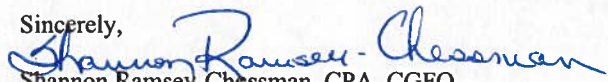
The objective of measuring and reporting the related defined contribution liability and expense would be more efficiently met by being included as part of the reporting entity's compensated absences liability and expense amounts since many pension and OPEB plans (e.g., large cost-sharing multiple employer retirement plans) do not track or report these amounts.

Financial Statements Prepared Using the Current Financial Resources Measurement Focus

Finally, we support the GASB's decision regarding the recognition and measurement of compensated absences in financial statements prepared using the current financial resource measurement focus.

We would like to thank the GASB for its efforts in preparing the Exposure Draft and for the opportunity to respond. Please feel free to contact me at (561) 355-4277 or SRChessman@mypalmbeachclerk.com regarding the comments above.

Sincerely,

A handwritten signature in blue ink that reads "Shannon Ramsey-Chessman". The signature is written in a cursive style with a large initial "S".

Shannon Ramsey-Chessman, CPA, CGFO

President - Elect