



STATE OF NEW JERSEY

# DEPARTMENT OF EDUCATION

A Memo from the New Jersey Department of Education

Date: June 25, 2025  
To: Chief School Administrators, Charter School and Renaissance School Project Leads  
Route To: School Business Administrators  
From: Thomas McMahon, Director  
Office of Fiscal Policy and Planning  
Division of Finance and Business Services

## **Implementation of Governmental Accounting Standards Board (GASB) Statement No. 101, Compensated Absences**

The Governmental Accounting Standards Board (GASB) is an independent, nonprofit organization that establishes financial accounting and reporting standards for state and local governments, including school districts, charter schools and renaissance school projects. New Jersey state law and administrative code (N.J.S.A. 18A:4-14 and N.J.A.C. 6A:23A-16.1 *et seq.*) require school districts, charter schools and renaissance school projects to follow generally accepted governmental accounting principles in accordance with statements issued by the Governmental Accounting Standards Board (GASB). The Annual Comprehensive Financial Report (ACFR) as prepared by each public school is the basis for the annual independent audit.

Implementation of GASB Statement No. 101, Compensated Absences, is required for the fiscal year ending June 30, 2025. A compensated absence is a leave for which employees may receive one or more compensation in the form of cash payments when the leave is used for time off; other cash payments, such as payment for unused leave upon termination of employment; or noncash settlements, such as conversion to defined benefit postemployment benefits. The termination benefits within the scope of GASB 47 are excluded. Examples of compensated absences are paid time off, sick leave, holidays, parental leave, military leave, jury duty, bereavement, sabbatical, and floating holidays.

### **Key steps/actions**

Based on review of GASB No. 101, Compensated Absences, liabilities for compensated absences must be recognized: 1) for unused leave and 2) for leave that has been used but not yet compensated.

For leave that has not been used, a liability should be recognized if:

- The leave is attributable to services already rendered
- The leave accumulates (no-use-it-or-lose-it)
- The leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means

For leave that has been used, a liability should be recognized when:

- Leave has been used for time off but has not been paid in cash or settled through noncash means

When evaluating whether a leave is more likely than not to be used, the following additional factors must be considered as outlined by the statement:

- Employment policies related to compensated absences
- Whether leave that has been earned is, or will become, eligible for use or payment in the future
- Historical information about the use, payment, or forfeiture of compensated absences
- Known information that would indicate that historical information may not be representative of future trends or patterns

To measure liability for unused leave, LEAs should use the employee's pay rate as of the date of the financial statements, unless a compensated absence arrangement calls for a different pay rate at the time of payment (for example, sick pay based on 50% of the employee's pay rate).

To measure liability for leave that has been used but not yet paid or settled, LEAs should use the amount of the cash payment or non-cash settlement to be made.

For the purpose of the long-term liabilities note disclosures, a net increase or a net decrease in its liability is allowed.

School districts, charter schools and renaissance schools are advised to review with their auditors to ensure full compliance with [GASB Statement No. 101](#) for fiscal year ending June 30, 2025.

LEAs may direct questions and inquiries to [doe.acfr@doe.nj.gov](mailto:doe.acfr@doe.nj.gov).

c: Members, State Board of Education  
NJDOE Staff  
Statewide Parent Advocacy Network  
Garden State Coalition of Schools  
NJ LEE Group