



July 31, 2025

**TO:** Selected Agency Fiscal Officers

**FROM:** /s/ Sara Rupe, Deputy Statewide Accounting Director  
Accounting Division

**SUBJECT:** FISCAL YEAR 2025 ADJUSTMENT FOR COMPENSATED ABSENCES

The FY 2025 Annual Comprehensive Financial Report cut-off procedures in Chapter 90 of the *State Administrative & Accounting Manual* (SAAM) require compensated absence liability balances to be adjusted at year-end. We are providing you with the estimated June 30, 2025, compensated absence liability balances based on information from the Human Resource Management System (HRMS).

## Calculating Compensated Absence Liabilities

The “FY25 Comp Absence Liability” tab of the attached workbook includes June 30, 2025, compensated absence liability balances for vacation leave, sick leave, compensatory time, personal holiday, shared leave, and holiday credits from HRMS.

If your agency’s employees have earned compensatory and/or exchange time that is tracked outside of HRMS and the balances are material, you will need to calculate the liability for this time as of June 30, 2025. Compensatory and/or exchange time activity can be calculated on an employee-by-employee basis by multiplying the hours earned/used by the respective employee's current hourly rate. If your agency’s leave system is not capable of calculating the rate for individual employees, multiply the total accumulated hours earned/used by an average hourly rate for all employees. Once the dollar value of the leave due employees is determined, the employer portion of associated salary-related payments is calculated. Use tab “6.30.25 Liability Calc” or “6.30.25 Multifund Calc” for a template on how to calculate liability.

## Funds

Agencies with multiple proprietary funds, or a combination of governmental, proprietary, and fiduciary funds, need to determine the amount of vacation, sick, and other leave payable attributable to each proprietary and fiduciary fund and a single total for all governmental funds. Compensated absence liabilities for governmental funds are to be recorded in the General Long-Term Obligations

Subsidiary Account (Account 999). For proprietary and fiduciary funds, agencies are to record the leave liabilities in the operating (employing) funds.

## AFRS GL Accounts

Compensated absence liabilities are recorded in the following GL Accounts based on the leave type and the short-term or long-term designation. The bolded GL code is generally the most appropriate.

GL Title	Short-term GL Code	Long-term GL Code
Accrued Vacation Leave Payable	5125	<b>5225</b>
Accrued Sick Leave Payable	5127	<b>5227</b>
Accrued Compensatory and Miscellaneous Leave Payable	<b>5128</b>	5228

Using the assumption that employees are currently taking the leave that they most recently earned (last in, first out), and given that accrued vacation and sick leave generally increase year to year, the long-term designation (GLs 5225 and 5227) is generally appropriate. Vacation and sick leave liabilities should be classified short term only when special circumstances exist, such as a significant number of retirements or terminations are expected in the next year.

The short-term designation is generally more appropriate for compensatory time, personal holidays, exchange time, and shared leave based on the rules, laws, and collective bargaining agreements covering when the leave must be used (GL 5128). Agencies will need to determine the most appropriate designation of other miscellaneous leave.

## Accounting Entries

New for FY25, agencies should record the net increase or decrease in the general ledger accounts as follows. **We no longer need to separately record increases and decreases in the liability.**

Fund Type Employees are Paid From	Fund	Change in Liability	TC	Debit GL	Credit GL	Other Coding
Governmental funds	999	Increase	463	1820	Variable*	None required
		Decrease	483	Variable*	1820	
Proprietary or Fiduciary funds	Operating Fund	Increase	508	6525	Variable*	Subobject, appropriation, and program are required
		Decrease	335	Variable*	6525	

\*Use the appropriate GL Account for the leave type and the short-term or long-term designation.

If you have any questions or would like assistance regarding the adjustment for your agency's compensated absence liabilities, please contact [your assigned OFM Accounting Consultant](#).