

# Accrual For Payroll Costs at Fiscal Year-End

State of Rhode Island  
Office of Accounts & Control  
October 2016

# Last Payroll Period in Fiscal Year

- Usually crosses current and new fiscal year.
- According to generally accepted accounting principles (GAAP), must recognize payroll expenditures in the period the related personal services are performed.
- Must accrue payroll expense related to "unpaid" days at end of the fiscal year.

# Payroll Accrual Method

- Record accrued payroll as a percentage of the last payroll period's actual payroll expense.
- Percentage correlates approximately to the number of the pay period's weekdays that relate to the fiscal year just ended.
- Over the course of an eleven-year cycle, the unpaid days will accumulate to a full pay period. At the end of the cycle, the State experiences a 27<sup>th</sup> payroll which the accrual covers.
- Charging the full pay period ratably as an expense to each of the eleven fiscal years prevents an "extra" pay period's worth of expense every eleven years.

# Accrual Process

The payroll accrual is assessed at the end of each fiscal year, and reversed in each subsequent fiscal year in accordance with the following tables.

# Accrual Schedule: 2016-2028

<b>Accrual Year</b>	<b>No. of Payroll</b>	<b>Prior Year Accrual</b>	<b>Current Year</b>	<b>Payrolls charged to Current Year</b>
2016	26	-1.3	1.4	26.1
2017	27	-1.4	0.5	26.1
2018	26	-0.5	0.6	26.1
2019	26	-0.6	0.7	26.1
2020	26	-0.7	0.8	26.1
2021	26	-0.8	0.9	26.1
2022	26	-0.9	1.0	26.1
2023	26	-1.0	1.0	26.0
2024	26	-1.0	1.1	26.1
2025	26	-1.1	1.2	26.1
2026	26	-1.2	1.3	26.1
2027	26	-1.3	1.4	26.1
2028	27	-1.4	0.5	26.1

# Also Accrued

- Overtime Expense
- Employer Share of FICA
- Employer Share of Retirement and Retiree Health Contributions
- Employer Contributions to the Assessed Fringe Benefit Fund

# Other

- The employer (State's) contribution toward active employee medical, dental and vision benefits, which are all funded through an internal service fund, are consistently recorded entirely as expenditures for the fiscal year in which the associated pay date actually occurs.
- For example, for a payroll paid on July 5, the active employee medical, dental, and vision benefits expenditures would be recorded entirely in July.