



Richard Woods, Georgia's School Superintendent  
"Educating Georgia's Future"

## Introduction

GASB requires governmental entities to recognize expenditures when they are **measurable** and **incurred**. The annual financial analysis report (DE46) follows this methodology and LEAs are required to submit the report on a modified accrual basis, recording expenditures when measurable, incurred, and expected to be paid from current resources. Therefore, LEAs are required to post the accrual of salaries/benefits earned as of June 30<sup>th</sup> for all funds.

Measurable is when an amount can be accurately determined or reasonably estimated. The TRS benefit is increasing significantly effective July 1, 2018. It is known (measurable) that the TRS benefits earned and accrued as of June 30, 2018 will be paid in July and August at the higher rate of 20.90%. When posting your salaries/benefit accruals during the June 30, 2018 close out process, Financial Review recommends utilizing the higher benefit rate for a more accurate representation of the measurable and incurred liability.

In considering the higher rate and the known increased liability at June 30<sup>th</sup>, the FY 2018 QBE Accrual allotment sheets (QBE001) **will be prepared utilizing the higher TRS rate of 20.90%**. The QBE revenues should be recognized when **earned, measurable, and available**. Therefore, at June 30<sup>th</sup>, the QBE revenue is measurable by applying the TRS rate of 20.90%, which is the rate that the QBE allotments will include effective July 1, 2018.

### I. Procedures for posting the salaries/benefits accruals for all funds at June 30<sup>th</sup>

#### Salary Accruals (Payables)

- Any unpaid July and August salaries and benefit expenditures should be recorded as expenditures and a liability as of June 30<sup>th</sup> of each year. Keep in mind the contract period effective at your LEA. If your LEA utilizes a contract period of September through August for payment of 10-month or 11-month employees, then you will accrue either the July or the July and August salaries and benefit expenditures as of June 30<sup>th</sup>.

The accrual is based on GASB expenditure recognition criteria which requires expenditures to be recorded when measurable and incurred. You will utilize any known rates that are applicable to the July and August periods, such as TRS/ERS retirement employer contributions and SHBP employer contributions.

- Use the procedures that are appropriate for the type of accounting software in use by your system to accrue the salaries/benefit expenditures as of June 30<sup>th</sup>.

For PCG, instructions for posting the year end salary accruals are in the PCG manual at the following link, page 9:

[http://www.gadoe.org/Technology-Services/PCGenesis/Documents/D5\\_Fiscal\\_Rpts.pdf](http://www.gadoe.org/Technology-Services/PCGenesis/Documents/D5_Fiscal_Rpts.pdf)

In PCG, the last completed payroll will be used to base the accrual.

Below is a summary of payroll totals that is generated in PCG. This file can be exported to excel to update the TRS percentages. The report below will generate based on the TRS rate effective at the date of the report. The rate is 16.81% as of June 30, 2018. To increase to 20.90%, perform the following calculation:

Divide the amount reported to object 2300 by the 16.81%, then multiply that quotient by 20.90% to determine the total amount to accrue for TRS rates.

$$\frac{\text{Total dollar amount reported for object 23000}}{16.81\%} \times 20.90\% = \text{Total TRS at 20.90\%}$$

REPORT DATE: 04/01/2014	FY 2014 SUMMER SALARY ACCRUAL ESTIMATE BY EMPLOYEE	PAGE	54
REPORT PROG: PAYPR106			
DESCRIPTION	OBJECT	JULY AMT	AUGUST AMT
REGULAR AMOUNT	11000	402,215.50	399,861.55
REGULAR AMOUNT	11200	2,638.74	2,638.74
REGULAR AMOUNT	11210	4,320.80	4,320.80
REGULAR AMOUNT	11500	3,168.17	3,168.17
REGULAR AMOUNT	11601	4,214.28	4,214.28
REGULAR AMOUNT	11700	1,923.82	445.97
REGULAR AMOUNT	11800	35,917.65	25,744.04
REGULAR AMOUNT	13100	12,119.71	0.00
REGULAR AMOUNT	14000	47,736.64	47,736.64
REGULAR AMOUNT	14010	1,914.65	1,914.65
REGULAR AMOUNT	14200	14,596.92	8,636.25
REGULAR AMOUNT	14600	7,964.06	7,047.39
REGULAR AMOUNT	16300	5,499.34	5,499.34
REGULAR AMOUNT	16500	10,357.05	10,357.05
REGULAR AMOUNT	17200	3,573.42	3,573.42
REGULAR AMOUNT	17300	7,486.40	4,156.01
REGULAR AMOUNT	17400	3,843.25	3,843.25
REGULAR AMOUNT	17700	2,566.71	166.66
REGULAR AMOUNT	18000	24,169.15	24,169.15
REGULAR AMOUNT	18100	500.00	500.00
REGULAR AMOUNT	18400	16,583.61	16,583.61
REGULAR AMOUNT	19000	5,580.90	0.00
REGULAR AMOUNT	19100	28,462.23	21,671.93
GHI CERTIFIED	21000	95,445.00	87,885.00
GHI NON-CERTIFIED	21000	37,560.60	35,175.80
EMPLR FICA/MEDC	22000	46,149.64	42,500.61
EMPLR TRS	23000	73,276.03	67,000.45
GRAND TOTALS		899,784.27	828,810.76

- For the example above, the TRS total dollar amount for the July accrual totals \$91,105.00, based on the TRS rate of 20.90%.
- You will note in the example above that the July salaries/benefit accrual amount is greater than the August accrual amount. This is due to the 11-month contract employees, that only accrue one month of salaries/benefits at June 30<sup>th</sup>.
- If your LEA operates a contract period that begins in August and ends in July, your LEA will only accrue the month of July for 10-month employees, and the 11-month employees will only be accrued for July if the pay cycle for those employees follows August to July.
- When posting the accrual, it is recommended that you post a separate claim for the July salaries/benefits and the August salaries/benefits. This allows the LEA to cancel only one month of expenditures in July, ensuring the July month-end financial report is not reporting a negative amount of salaries due to the reduction of 2 months of expenditure accruals in one month.
- The claims posting the July and August salary and benefit accruals will credit the payable account 0422 – Salaries and Benefits Payable.
- When reconciling the CS-1, Salaries and Travel Expenditure Report, to the general ledger, the LEA will add prior year salaries accruals and deduct current year salaries accruals, as the CS-1 is submitted for salaries on the cash basis.

## II. Procedures for reversing the prior year salaries/benefits accruals for all funds in July/August

- In the following fiscal year, the claims posted to accrue the July/August salaries/benefits will be required to be reversed. To reverse the claims, the LEA will cancel the claim that corresponds with the current pay cycle, i.e., July claim will be canceled as of July 31<sup>st</sup> and the August claim will be canceled as of August 31<sup>st</sup>.
- This manner will ensure the only expenditures reported in July for salaries/benefits are those expenditures that exceed the amount of the accrual posted as of June 30<sup>th</sup>.
- If your LEA utilizes another form of accounting software, follow the procedures required for canceling claims processed in the prior fiscal year.

**III. Procedures for posting the related QBE Revenue Accrual for the funds appropriated in July and August of the subsequent fiscal year related to the State Salary Schedule**

- The State Salary Schedule that is utilized for calculating the QBE appropriation is based on a contract period of September through August for 10-month contracted employees. To assist school districts in determining the amount of the appropriation that is related to the State Salary contract period of July through August, a report is generated by GaDOE that calculates only the portion of QBE earnings associated with the salaries included in the QBE accrual related to 10-month and 11-month employees.
- To post the QBE funds earned by the local district for July and August salary benefits, the LEA should utilize the QBE Accrual Allotment Sheet, QBE 017.
- It is recommended that the LEA post a receivable separately for the funds earned in July and the funds earned in August, by splitting the dollar amounts on the QBE 017 report between the two months. This is so when the receivable is cancelled in the subsequent fiscal year, only the portion associated with July is reversed in July, ensuring that the amount of QBE revenue reported as earned in July is only that amount in excess of the amount accrued for July in the previous fiscal year. If the entire amount of the QBE receivable is canceled in July, then the revenue reported will be negative. Additionally, if a district waits to cancel the prior year receivable after August, the amount of QBE revenue reported on the July and August financial reports will be overstated.
- Use the procedures that are appropriate for the type of accounting software in use by your LEA to accrue the QBE receivable earned as of June 30<sup>th</sup>.

For PCG, instructions for posting the year end QBE revenue accruals are in the PCG manual at the following link, page 18:

[http://www.gadoe.org/Technology-Services/PCGenesis/Documents/SecG\\_AcctsRcv.pdf](http://www.gadoe.org/Technology-Services/PCGenesis/Documents/SecG_AcctsRcv.pdf)

**IV. Procedures for reversing the related QBE Revenue Accrual for the funds appropriated in July and August of the subsequent fiscal year related to the State Salary Schedule**

- In July and August of the subsequent period, the LEA will cancel the corresponding receivable each month. This ensures that the revenue recorded in July and August is not double posted.
- Use the procedures that are appropriate for the type of accounting software in use by your LEA to cancel the QBE receivables posted as of June 30<sup>th</sup>.

For PCG, instructions for reversing the year end QBE revenue accruals are in the PCG manual at the following link, page 34:

[http://www.gadoe.org/Technology-Services/PCGenesis/Documents/SecG\\_AcctsRcv.pdf](http://www.gadoe.org/Technology-Services/PCGenesis/Documents/SecG_AcctsRcv.pdf)

For additional guidance related to recognizing revenues and expenditures as of June 30<sup>th</sup>, please refer to the *Financial Management for Georgia's Local Units of Administration* manual, located on the GaDOE Financial Review website.