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Topic 1: Procedures for the Accrual of Salaries/Benefits for All Funds

A. Procedure for Accruals in the General Ledger at June 30th

A.1. Receivables

- QBE Funds earned by the local district for July and August salary and benefits should be recorded as an *Accounts Receivable* at June 30th of each year. Debit accounts receivable 0141 and credit the respective Quality Based Education (QBE) program revenue accounts.
- Use the amounts on the new QBE Report, QBE 017-Accrual System Allotment Sheets, for the current year to accrue the revenue. This report is available by fiscal year and can be found on the Department of Education's (DOE's) *QBE Reports Menu*.

A.2. Salary Accruals (Payables)

- Any unpaid July and August Salary and Benefit accruals should be recorded as *Payables* at June 30th of each year. Debit the appropriate expenditure accounts and credit the liability account 0422-Salaries and Benefits Payable.
- Use the procedures that are appropriate for the type of accounting software in use by your system (to accrue July and August salaries and benefits).

B. Procedure for Accrual in General Ledger at June 30th the First Year

*** * * ATTENTION * * ***

Use this procedure if you are accruing in the General Ledger for the first year. It is important that only twelve (12) months of QBE revenue and expenditures are reported to the Department of Education for Salary and Benefits each fiscal year.

B.1. Receivables

- Reverse July and August QBE revenue for the amount that should have been accrued at June 30th the prior year. Use amounts on the new QBE 017-Accrual System Allotment Sheets report for the prior year. Debit the QBE revenue accounts and credit 0799 fund equity.
- Accrue QBE revenue for the current year using the new QBE 017-Accrual System Allotment Sheets report for the current year. Debit accounts receivable 0141 and credit the respective QBE program revenue accounts.

B.2. Salary Accruals (Payables)

- Reverse July and August Salary and Benefits that should have been accrued at June 30th of the prior year.

If a list of accruals **was provided** to the Auditors during the audit for inclusion in the financial statements, reverse these same amounts, or reconcile if different. See “Situation 1” below.

If a list of accruals **was not provided** to the Auditors during the audit, reverse the actual amounts paid for the prior year. Debit 0799 fund equity and credit the appropriate expenditure accounts. See “Situation 2” below.

- Accrue July and August Salary and Benefits for the current year. Debit the appropriate expenditure accounts and credit accounts payable 0422 – Salaries and Benefits Payable using the procedures that are appropriate for your type of accounting software.

C. Examples of Reversal of Prior Year Payables

- **Situation 1:** Salary and Benefit Payable amounts **were provided** to the Auditors during the audit. They included the expenditures in “Audited Financial Statements.” The financial statements did not have a “Qualified Opinion” for unrecorded Salary and Benefit Payables.

Since these expenditure amounts were provided to the Auditors, they must be reversed. This entry will be a debit to 0799 fund equity, and a credit to the respective expenditure accounts.

- **Situation 2:** Salary and Benefit Payable amounts **were not provided** to Auditors in the past. The financial statements had a “Qualified Opinion”.

Calculate the amount of the Salary and Benefit expenditures that should have been accrued at June 30th of the prior year. After determining the amounts, reverse the expenditures with a debit to 0799 fund equity and a credit to the respective expenditure accounts. Keep the documentation that shows how you determined these amounts for the Auditors.