

State of Rhode Island
Department of Administration

OFFICE OF ACCOUNTS AND CONTROL

SECTION	POLICY/PROCEDURE NUMBER A-26
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POLICY / PROCEDURE	AMENDMENT / REVISION
FISCAL YEAR-END PAYROLL ACCRUAL	October 11, 2016

Annually, at the end of each fiscal year, the Office of Accounts and Control charges accrued payroll costs to all appropriation accounts that normally have payroll charges. The purpose of the accrual is to comply with the principles of accrual accounting by recognizing payroll expenditures in the period in which the related services are actually performed.

The payroll accrual represents a percentage of the last payroll period's actual payroll expense amounts that were charged in the fiscal year. This percentage correlates approximately to the number of weekdays within a payroll period that remain unpaid at the end of the fiscal year. Over the course of an eleven-year cycle, the unpaid days accumulate to a full pay period. At the end of the eleven-year cycle the State experiences a 27th payroll which the accrual covers. In effect, this 27th payroll period is charged ratably as an expense to each fiscal year during the eleven-year period.

Employee gross pay (including overtime costs), the employer share of FICA taxes, the employer share of retirement contributions, the employer contributions toward retiree health care costs, and the employer contributions to the Assessed Fringe Benefit Fund are all accrued each year.

On the other hand, the State's contributions toward active employee medical, dental, and vision benefits, which are all funded through an internal service fund, are consistently recorded entirely as expenditures of 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 the July period.

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

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Fiscal Year	# of Payroll Periods	Prior Year Accrual	Current Year Accrual	Payrolls Charged to Current Period
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	26.1
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