

# Balance Sheet 101 and Payroll Liabilities

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# Balance Sheet 101 - Assets

Assets- are a resource with economic value that an individual or corporation owns or controls

School Districts assets:

- Cash
- Accounts Receivable
- Prepaid Expenses
- Inventory (Capital)- what does your policy say? (\$500+, \$1,000+, \$2,000+)

[WUFAR- Balance Sheet](#)



# Auditor Asset Tips

What should you be looking for with your assets?

Cash reconciliation (example later)



# Balance Sheet 101 - Liabilities

**Liabilities**- liabilities in general are an obligation to pay something that you haven't yet paid. It could be something that is correctly due or it could be an expected future bill.

School District Liabilities:

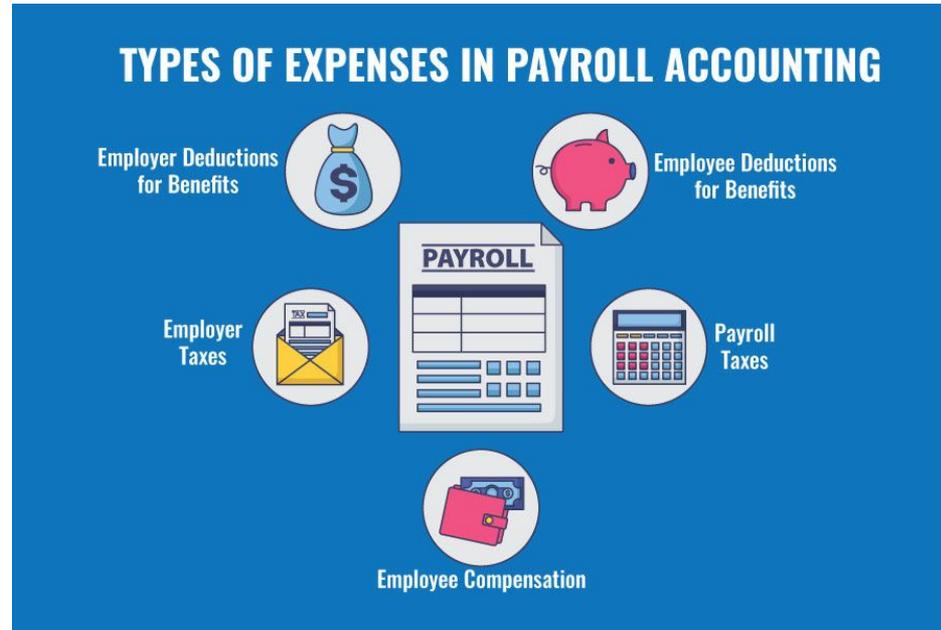
- Accounts Payables
  - Bills/Short-term debt
  - Long-term debt
  - Interest from debt
  - Payroll liabilities

[WUFAR- Balance Sheet](#)



# Fun with Payroll Liabilities

**Payroll Liabilities**- are typically, almost always, maybe always, generated through the payroll process by withholding payroll expenses



# Types of Payroll Liabilities

**Wages-** wages are a payroll liability, typically just for seconds as the payroll software processes the payroll, your wages are expensed, recorded to a liability account, withdrawn from the liability account, and paid to your employees (think summer pay/accrued summer payroll, Amber will touch on accrued payroll later)

**Withholdings-** withholdings are amounts withheld from your employees' paychecks to pay for their their liabilities, the employees' portion of their benefits, their self elected plans (TSAs, Short-Term Disability, etc.), and the employees' WRS amount

**Payroll Expenses-** payroll expenses are the district's portion of benefits that are expensed through the payroll process/software and then held in a payroll liability account. Examples, health insurance, dental insurance, other employee insurance benefits, FICA, and WRS.



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# Payroll Liability T Accounts

Example explained through T accounts. Health insurance costs \$1,200 for the month. Employee has to pay \$200 and the District pays \$1,000. How does the money follow?

Insurance Expense Acct

\$1,000	

Insurance Liability Acct

	\$1,000
\$1,200	\$200

Cash Acct

	\$1,200



# Audit Perspective on Liabilities and Payroll Liabilities

- What should you know about your liabilities, specially accrued liabilities?
- Why is the reconciliation of payroll liabilities so important?
- What do auditors want to see to provide assurance that payroll liability account balances are reconciled and accurate?
- What can districts do to prepare?
- Any other tips from the audit perspective?



# End of Month Reconciliation Tips

## Bank Reconciliation

Cash Receipts/AR- monthly verification reports

Balance Sheet Review- do you understand your balances, anything look out of place?

## Payroll Liabilities Google Sheet Reconciliation Example



# End of Month Reconciliation Tips

Tips from the auditor to help ensure a successful audit



