

# Payroll Liabilities

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Paula Glaser - CESA 5  
Amber Drewieske - CLA  
Nick Curran - CESA 8



# What are Payroll 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.

**Payroll Liabilities**- are typically, almost always, maybe always, generated through the payroll process by withholding and 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for seconds as the payroll software processes the payroll, your wages are expensed, recorded to a liability account, withdrawn from the liability account, and paid to your employees (think summer pay/accrued summer payroll)

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



# Types of Payroll Liabilities

**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.



# 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
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# Audit Perspective - Amber Drewieske, CLA

- 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?



# Tips and Tricks for Setting Up Payroll Liabilities

Number of pay periods

- 19, 20, 24, 26
- Others

Why does this matter?



# Tips and Tricks for Setting Up Payroll Liabilities

When should we deduct?

- One month ahead
- Same month
- Other?

Why does this matter?





# Payroll Liabilities Reconciliation Sheet

[Google Sheet](#)

