

NARRATIVE

Adjustment entries may be required at year-end to various balance sheet accounts, these accounts may include:

- Inventory (this would also include inventory items)
- Current and Delinquent Taxes Receivable
- Salaries and Wages Payable
- Benefits Payable
- Vacation Payable
- Vested Sick Leave Payable
- Comp Time Payable
- Reserve for Inventory
- Reserve for Uncompleted Contracts

SEQUENCE OF EVENTS**INVENTORY ADJUSTMENTS**

The inventory on your accounting system may differ from the physical inventory taken at year-end. Inventory variance adjustments are required to bring the inventory quantities and dollar values in balance with the physical inventory.

If variances exist, entries to the following unallocated areas will be required:

- End-of-year Inventory Adjustments for Field Supplies
- End-of-year Inventory Adjustments for Administrative Supplies
- End-of-year Inventory Adjustments for Shop and Equipment Supplies

Take the following steps to determine your inventory variances:

1. Take a physical count of all inventory items.
2. Calculate the dollar value for each item; physical count multiplied by unit price.
3. Compare the calculated dollar values and quantities to the amounts on the accounting system.
4. Make adjustments to any items that differ. The offset for these differences will be in the unallocated sections described above.

Note: In the case of specific inventory items such as road sand or salt, the variance for those items should be charged to the respective cost center, (snow and ice control).

CURRENT AND DELINQUENT TAXES RECEIVABLE

Current and Delinquent Taxes Receivable represent the Highway Department's portion of property taxes owed the county for the current and past years. This balance is calculated by the County Auditor/Treasurers Office and needs to be posted to your accounting system. The amount from the prior year may need to be reversed and the current year posted.

Accounting Entry – reverse prior year Current and Delinquent Taxes Receivable

Debit Account: (*revenue*) County Tax Revenue
Credit Account: (*asset*) Current and Delinquent Taxes Receivable

Accounting Entry – current year Current and Delinquent Taxes Receivable

Debit Account: (*asset*) Current and Delinquent Taxes Receivable
Credit Account: (*revenue*) County Tax Revenue

SALARIES AND WAGES PAYABLE

Salaries and Wages Payable represent the amount owed to Highway Department employees for work performed in the current year and paid in subsequent years. This liability may need to be adjusted to match the payable amount provided by the County Auditor/Treasurers Office at year-end.

Accounting Entry – Salaries and Wages Payable is too high

Debit Account: (*liability*) Salaries and Wages Payable
Credit Account: (*expense*) Unallocated – EOY Salaries/Wages Adjustment Account

Accounting Entry – Salaries and Wages Payable is too low

Debit Account: (*expense*) Unallocated – EOY Salaries/Wages Adjustment Account
Credit Account: (*liability*) Salaries and Wages Payable

BENEFITS PAYABLE

Benefits Payable represent the Highway Department's portion of the accrued County expense for FICA, Medicare and PERA. These accruals are based on the Salaries and Wages Payable balance. This balance is calculated by the County Auditor/Treasurers Office, and needs to be posted to your accounting system. The amount from the prior year may need to be reversed and the current year posted.

Accounting Entry – reverse prior year Benefits Payable

Debit Account: (*liability*) Benefits Payable
Credit Account: (*expense*) Unallocated – FICA, Medicare, PERA

Accounting Entry – current year Benefits Payable

Debit Account: (*expense*) Unallocated – FICA, Medicare, PERA
Credit Account: (*liability*) Benefits Payable

VACATION PAYABLE

Vacation Payable represents the amount owed to Highway Department employees for their vacation hours accrued as of year-end. This balance is calculated by the County Auditor/Treasurers Office, and needs to be posted to your accounting system. The amount from the prior year may need to be reversed and the current year posted.

Accounting Entry – reverse prior year Vacation Payable

Debit Account: (*liability*) Vacation Payable
Credit Account: (*expense*) Unallocated – Vacation Expense

Accounting Entry – current year Vacation Payable

Debit Account: (*expense*) Unallocated – Vacation Expense
Credit Account: (*liability*) Vacation Payable

VESTED SICK LEAVE PAYABLE

Vested Sick Leave Payable represents the amount of sick leave compensation owed to each Highway Department employee if job termination has occurred prior to year end. This balance is calculated by the County Auditor/Treasurers Office, and needs to be posted to your accounting system. The amount from the prior year may need to be reversed and the current year posted.

Accounting Entry – reverse prior year Vested Sick Leave Payable

Debit Account: (*liability*) Vested Sick Leave Payable
Credit Account: (*expense*) Unallocated – Sick Leave Expense

Accounting Entry – current year Vested Sick Leave Payable

Debit Account: (*expense*) Unallocated – Sick Leave Expense
Credit Account: (*liability*) Vested Sick Leave Payable

COMP TIME PAYABLE

Comp Time Payable represents the amount owed to Highway Department employees for their remaining comp time hours accrued as of year-end. This balance is calculated by the County Auditor/Treasurers Office, and needs to be posted to your accounting system. If your accounting system has been posting transactions to this account during the year, one of the following adjustments may be required.

Accounting Entry – Comp Time Payable is too high

Debit Account: (*liability*) Comp Time Payable
Credit Account: (*expense*) Unallocated – EOY Comp Time Adjustment Account

Accounting Entry – Comp Time Payable is too low

Debit Account: (*expense*) Unallocated – EOY Comp Time Adjustment Account
Credit Account: (*liability*) Comp Time Payable

RESERVE FOR INVENTORY

The Reserve for Inventory is based on the year-end inventory value. Some accounting systems make this entry automatically.

The adjustment to the Reserve for Inventory is calculated with the following formula:

$$\begin{array}{r} \text{Current balance of the Reserve for Inventory} \\ \text{MINUS: Current year-end Inventory Value} \\ \hline \text{EQUALS: Adjustment to Reserve for Inventory} \end{array}$$

If the adjustment amount is positive:

Accounting Entry – Adjustment to Reserve for Inventory

Debit Account: (fund equity) Reserve for Inventory

Credit Account: (county expense) EOY Adjustment to Reserve for Inventory

If the adjustment amount is negative:

Accounting Entry – Adjustment to Reserve for Inventory

Debit Account: (county expense) EOY Adjustment to Reserve for Inventory

Credit Account: (fund equity) Reserve for Inventory

RESERVE FOR UNCOMPLETED CONTRACTS

The Reserve for Uncompleted Contracts is the county portion of uncertified contract costs that have been awarded and have not been paid to the contractor.

Accounting Entry – reverse prior year Reserve for Uncompleted Contracts

Debit Account: (fund equity) reserve for Uncompleted Contracts

Credit Account: (fund equity) Undesignated Fund Balance

Accounting Entry – current year Reserve for Uncompleted Contracts

Debit Account: (fund equity) Undesignated Fund Balance

Credit Account: (fund equity) reserve for Uncompleted Contracts