

Title 4

ADMINISTRATION

Part V. Policy and Procedure Memoranda

Chapter 31. Revenue and Expenditure Accounting—PPM Number 68

§3101. Authorization

A. Title 39, Section 91: Uniform System of Accounting. The commissioner of Administration shall, under authority of the governor and consistent with the provisions of this Chapter, prescribe and cause to be installed and maintained a uniform system of accounting in all state agencies. Should the legislative auditor find that these accounting procedures do not adequately reflect the financial activities of the state agencies, he shall so advise the legislature at its next regular session in a detailed report outlining said inadequacies.

B. Title 39, Section 92: Fiscal Reporting. Within six months after the close of each fiscal year, the commissioner of Administration shall cause to be prepared a comprehensive annual financial report containing those financial statements, including notes thereto, which are necessary for a fair presentation of the financial position and results of operations of the state in conformity with generally accepted accounting principles.

AUTHORITY NOTE: Promulgated in accordance with R.S. 39:91, R.S. 39:92.

HISTORICAL NOTE: Promulgated by the Office of the Governor, Division of Administration, LR 10:449 (June 1984).

§3103. Introduction

A. Pursuant to the above authority, it is hereby ordered that all boards, commissions, departments, agencies, institutions, and offices within the Executive branch of state government shall abide by the following financial reporting procedures, except where specific authority has been granted in writing by the commissioner of Administration.

AUTHORITY NOTE: Promulgated in accordance with R.S. 39:91, R.S. 39:92.

HISTORICAL NOTE: Promulgated by the Office of the Governor, Division of Administration, LR 10:450 (June 1984).

§3105. Purpose and Scope

A. The purpose of this Policy and Procedure Memorandum is to establish criteria to be applied in the accrual of revenues and expenditures for governmental fund types of the general and special revenue nature for financial reporting purposes in accordance with generally accepted accounting and financial reporting principles. As of the effective date of this memorandum all boards, commissions, departments, agencies, institutions, and offices within the executive branch of state government shall report financial activity on a modified accrual accounting basis as described herein.

AUTHORITY NOTE: Promulgated in accordance with R.S. 39:91, R.S. 39:92.

HISTORICAL NOTE: Promulgated by the Office of the Governor, Division of Administration, LR 10:450 (June 1984).

§3107. Revenues

A. Revenues associated with the economic activity of a particular fiscal year must be recognized (accrued) and reported in that fiscal year:

1. when the revenues are collected during the fiscal year to which they are associated; or
2. when the revenues are collected within 45 days after the end of the fiscal year to which they are associated.

B. Certain revenues may be excluded from the accrual requirements outlined in §3107.A, provided:

1. the amount is not material or the cost of attaining the data for accruing the revenue exceeds the benefits derived from its accrual. For purposes of the state of Louisiana's financial statement *materiality* is generally defined as less than one-half of one percent of the total estimated revenues of that fund;

2. the amount is not measurable and cannot be reasonably estimated with an acceptable degree of accuracy;

3. the revenue will not be available (collected) within the fiscal year or soon enough after the fiscal year end to be used to pay liabilities of that fiscal year.

C. Specified exceptions to the 45 day cut-off rule (§3107.A.2) to be included are as follows:

1. gas royalties for the month of June when the revenue from this source is material and predictable or measurable;

2. natural gas franchise tax due for the quarter ending June 30 of each year but does not become delinquent until 60 days thereafter.

D. Refunds of revenue are to be paid from current year receipts; however, refunds paid during the 45-day period at the end of each fiscal year, which are attributable to prior year activities, must be accumulated separately and reported as a liability on the appropriate fiscal year end financial statement.

AUTHORITY NOTE: Promulgated in accordance with R.S. 39:91, R.S. 39:92.

HISTORICAL NOTE: Promulgated by the Office of the Governor, Division of Administration, LR 10:450 (June 1984).

§3109. Expenditures

A. Expenditures, with the exception of payroll and payroll-related items, shall be recognized in the fiscal year in which the liability for the expenditure was incurred. Payroll and payroll-related expenditures shall remain on the appropriated basis.

B. Obligations outstanding at the end of a fiscal year must be separated so there is a clear distinction between encumbrances and accounts payable.

C. Encumbrances are defined as obligations for which the state is committed, but for which goods and/or services have not yet been received or rendered and accepted. An encumbrance becomes a liability when the goods are received and accepted or the services are rendered in accordance with terms of the service agreement or contract.

AUTHORITY NOTE: Promulgated in accordance with R.S. 39:91, R.S. 39:92.

HISTORICAL NOTE: Promulgated by the Office of the Governor, Division of Administration, LR 10:450 (June 1984).

§3111. Requests for Information

A. Any questions concerning this memorandum should be directed to the State Accounting Office of the Division of Administration, Box 44095, Baton Rouge, LA 70804.

AUTHORITY NOTE: Promulgated in accordance with R.S. 39:91, R.S. 39:92.

HISTORICAL NOTE: Promulgated by the Office of the Governor, Division of Administration, LR 10:450 (June 1984).