Statewide Accounting Policy & Procedure

Accounting Manual Reference:		Effective Date: 07/01/2015
Section:	Revenues & Receivables	Revision Date: mm/dd/yyyy
Sub-section:	Revenues, Receivables, Unearned Revenues and Unavailable Revenues - General	

Index:

Authority:

- GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*
- GASB Statement No. 34, *Basic Financial Statements*
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*
- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*
- OCGA 45-12-92, *Revenue Collections to be paid to state treasury on monthly basis*
- OCGA 48-2-17, *Payment to Office of the State Treasurer*
- Georgia Constitution, Article III, Section IX, Paragraph II (b): *The General Assembly shall annually appropriate those state and federal funds necessary to operate all the various departments and agencies.*
- Georgia Constitution, Article III, Section IX, Paragraph V: *Other or supplementary appropriations*
- 2 CFR Chapter II, Part 200, Uniform administrative requirements, cost principles, and audit requirements for Federal awards
- GASB Codification, Section 2300, *Notes to Financial Statements*
- GASB Codification, Section 2400, *Budgetary Reporting*

Applicability:

This accounting policy applies to all organizations included in the State of Georgia reporting entity. Refer to the *Management Responsibilities* policy for a summary of general financial reporting responsibilities.

Policy Summary:

According to GASB Concepts Statement 4, inflows of resources are acquisition of net position that is applicable to the reporting period. This policy applies to revenues, which represent the most significant inflows of resources reported by State reporting organizations, and related receivables, unearned and unavailable amounts. All revenues, receivables, unearned revenues and unavailable revenues are to be accounted for in accordance with generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). In addition, revenues recorded by appropriated budget units of the State through the Appropriations Acts passed by the General Assembly and signed by the Governor must be accounted for at the level prescribed in such Appropriations Acts. This policy provides guidance for revenue recognition whether payment is received during the same period the transaction occurs or in a different period. This policy also provides guidance for recognition of receivables, unearned revenues and unavailable revenues when payment occurs in a period different than the underlying revenue transaction.

Policy Requirements:

Revenues, receivables, unearned revenues and unavailable revenues include amounts that result from services provided and goods furnished by State organizations and other operations including taxes, grants, fees, fines, and loans.

Receivables represent amounts owed to State organizations from individuals, firms, corporations, other governmental units, or other GAAP funds. These receivables include amounts related to the sources described above, furnished by the State organization before the end of the reporting period, but for which payment has not been received. Receivables may include unbilled items (i.e., future billings) if significant and measurable. If an amount is owed to a State reporting organization at the end of the fiscal year and deemed collectible, the receivable and the uncollected revenue should be reported on the financial statements of the fiscal period.

Unearned revenues are a liability that represents amounts received, but not yet earned. Unearned revenues may be reported on the statutory, GAAP modified accrual or GAAP accrual basis of accounting.

Unavailable revenues are a deferred inflow of resources that represents amounts earned, but which are not available (that is, not collectible in the relatively near future or when all eligibility requirements other than time requirements have been met). These are generally offset by accounts receivable and may be reported on the statutory, GAAP modified accrual or GAAP accrual basis of accounting.

Organizations included in the State reporting entity are required to maintain their accounting records in a manner which will provide for the preparation of GAAP financial statements and/or budgetary statements. Day-to-day operations may be accounted for using one basis of accounting (a budgetary reporting basis) and year-end reporting information may be prepared to accommodate reporting on a different basis of accounting (a GAAP basis).

As governmental, proprietary and fiduciary funds use different bases of accounting to record and report their transactions, the accounting treatment of revenues, receivables, unearned and unavailable amounts may be different for different fund types. GAAP require that revenue, receivable, unearned revenue and unavailable revenue transactions are recorded and reported based on the type of transaction – exchange, exchange-like, or nonexchange. A more detailed explanation of the types of transactions is included in the following section.

Recognition and Measurement

Types of Transactions – Revenues, receivables, unearned revenues and unavailable revenues for each of the types of transactions described below are recorded in line with the recognition criteria for the applicable basis of accounting:

1. *Exchange Transactions* – are those in which each party to the transaction receives and gives up essentially equal values. For example, sales and services.

2. *Exchange-like Transactions* – are similar to exchange transactions because the parties can give up or receive value, but those values may not be equal, or the direct benefit of the exchange is not exclusive to the parties. Examples include licenses and permits.

3. *Nonexchange Transactions* – With this type of transaction one party gives value or benefit to another party without receiving equal value in the transaction. There are four types of nonexchange transactions.

   a. **Derived tax revenues** result when a tax is imposed by a governmental entity on an exchange transaction. Examples of derived tax revenues include general sales tax, individual and corporate income taxes, motor fuel taxes, and other assessments based on earnings or consumption.

   b. **Imposed nonexchange transactions** result when a governmental entity imposes an assessment on a non-governmental entity or individual and the assessment is based on something other than an exchange transaction. Examples of imposed nonexchange transactions include property and estate taxes, fines and forfeits, penalties and unclaimed (escheat) property**.**

   c. **Government-mandated nonexchange transactions** result when a government at one level provides resources to a government at another level. The provider government requires the recipient government to use those resources for a specific purpose or program. Examples include federal grants to states.

   d. **Voluntary nonexchange transactions** result from legislative or contractual agreements other than exchanges entered into willingly by two or more parties. The provider frequently establishes purpose restrictions and eligibility requirements. Examples include certain grants and entitlements and donations.

Recognition Criteria – Certain criteria that are critical to recognition and measurement and which are addressed in the bases of accounting below are as follows:

1. *Measurable* – is when an amount can be accurately determined or reasonably estimated.

2. *Available* – for the GAAP modified accrual basis means that the revenues are collected within the current fiscal year or soon enough thereafter to be used to finance expenditures of the current fiscal year. For the State of Georgia, the availability period is 30 days after the fiscal year ends, except for federal grant revenues, which are considered available if collection is expected within 12 months after year end. For the GAAP accrual basis, if all eligibility requirements other than time requirements have been met, cash receipts are considered unavailable until time requirements are met.

3. *Earned* – is when the reporting organization has substantially accomplished what it must do (e.g., exchange has taken place, eligibility requirements are met) to be entitled to the benefits represented by the revenues. Eligibility requirements are defined in GASB Statement 33, as follows:

   a. **Required Characteristics of Recipients** – The recipient (and secondary recipients, if applicable) has the characteristics specified by the provider.

b. **Time Requirements** – Time requirements specified by enabling legislation or the provider have been met. (The period when the resources are required to be used [sold, disbursed, or consumed] or when use is first permitted has begun, or the resources are being maintained intact, as specified by the provider.) Note that whether or not time requirements have been met are a determining factor in whether cash receipts received, prior to <u>all</u> eligibility requirements having been met, are unearned revenues or unavailable revenues.

c. **Reimbursements** – The provider offers resources on a reimbursement ("expenditure-driven") basis and the recipient has incurred allowable costs under the applicable program.

d. **Contingencies (applies only to voluntary nonexchange transactions)** – The provider's offer of resources is contingent upon a specified action of the recipient and that action has occurred. (For example, the recipient is required to raise a specific amount of resources from third parties or to dedicate its own resources for a specified purpose [i.e., matching] and has complied with those requirements.)

Basis of Accounting

As noted in the Policy Requirements section above, the basis of accounting utilized for <u>recording</u> day-to-day transactions of a reporting organization's fund may be different than the basis of accounting used by this fund's activities for GAAP <u>reporting</u> purposes. The most common example is activity <u>recorded</u> in the Budget Fund using the budgetary reporting, statutory basis of accounting to record day-to-day transactions and <u>reporting</u> those same transactions in GAAP reports using the GAAP modified accrual basis of accounting.

<u>Statutory Basis</u> – For budgetary reporting, the State's Budget Fund and Debt Service Fund use the statutory basis of accounting. As described in the *Basis of Accounting and Reporting – Overview* policy, the statutory basis is substantially the same as the modified accrual basis, below. The statutory basis differs from the GAAP modified accrual basis (which is fully described below) for revenue and receivable transactions as follows:

1. *State appropriated revenues and receivables* (which are essentially government mandated nonexchange transactions from a statutory basis perspective) are to be recorded as funds are allotted or, for Governor's Emergency funds, upon receipt of an executive order authorizing transfer of funds from the Office of the State Treasurer. State appropriations revenues are a mechanism used in budgetary reporting to reflect transfers to the appropriated budget units from the State Treasury. They are reported as revenues (and expenditures from the State Treasury's perspective) only for statutory basis reporting. For GAAP modified accrual basis reporting, state appropriations revenues are operating transfers in to the individual budget units offset by operating transfers out from the State Treasury. These transfers offset in the State General Fund. GAAP modified accrual basis accounting for Governor's Emergency Funds revenues and receivables is similar to accounting for State appropriations.

2. *Revenues and receivables associated with expenditure-driven funding arrangements:*

a. Federal and other grants and other financial assistance (typically government-mandated nonexchange transactions) are recorded to the appropriate fund source within a program when the qualifying expenditures have been recorded. On the statutory basis, revenues, accounts receivable and expenditures associated with expenditure-driven grants requiring purchase orders are recorded when purchase orders or other contractual obligations to procure goods or services have been executed, i.e., *when encumbered*. This revenue/ receivable recognition convention varies from the GAAP modified accrual basis, described below, where revenue is based on *expenditure* recognition, rather than *encumbrance* recognition. In addition to the encumbrance difference, under the GAAP modified accrual basis, other eligibility requirements (as described in the Recognition and Measurement section, above) have to be met for the resource to be considered to have been earned before revenue can be recognized.

If expenditures have been encumbered on a statutory basis, expenditure-driven grant and an asset (e.g., cash) has been received (is available), revenue is recognized. On the GAAP modified accrual basis, as the obligation has only been encumbered (is not yet earned), revenue would not be recognized and the asset received would be offset by unearned revenue or unavailable revenue depending on the level at which eligibility requirements have been met at the time of receipt of the asset.

b. Sales and services (exchange transactions) are recorded to the appropriate fund source within program when services have been provided on the statutory basis. The revenue is recognized regardless of meeting the availability criteria required to recognize such revenue under the GAAP modified accrual basis.

3. *Other funds revenues and receivables* (which could be any of the types of transactions described, above), if applicable, are to be recorded to the appropriate fund source within a program when cash is received on the statutory basis, as opposed to the GAAP modified accrual basis criteria of the funds having to be earned, measurable *and* available prior to recognition.

4. *Certain uncollectible receivables* are not permitted to be written off on the statutory basis. Receivables on the GAAP modified accrual and GAAP accrual bases are reported net of uncollectible amounts.

<u>Cash Receipts and Disbursements Basis</u> – The State's Revenue Collections (General) Fund utilizes the cash receipts and disbursements basis of accounting. All revenues received are recognized and recorded in the accounting records when cash is received. Receivable transactions are generally not recorded under the cash receipts and disbursements basis of accounting.

<u>GAAP Modified Accrual Basis</u> – In general, under the GAAP modified accrual basis of accounting, receivables are recognized when the transaction is considered complete, that is, when the organization has an enforceable legal claim to the resources, regardless of when revenues are recognized. Recognition of receivables may require meeting certain grant requirements (see below). Revenues are recognized in the accounting period when they become earned, measurable and available, net of any uncollectible accounts. Specific considerations for certain types of revenues, receivables, unearned and unavailable amounts are below:

1. *Exchange or Exchange-like Transactions* – As described in the Recognition and Measurement section, above, in an exchange or exchange-like transaction, the value given and the value received by the parties to the transaction are equal or almost equal. For both exchange and exchange-like transactions, a receivable should be recognized at the time of the exchange, with revenue recognized only to the extent that amounts earned (that is, the extent to which the exchange has taken place) are considered to be available. Unearned revenue would be recognized for any unearned amounts received and unavailable revenue would be recognized for any earned portion that does not meet the reporting period's availability criteria. Specific consideration is required for the following types of exchange or exchange-like transactions:

a. **Interest and Other Investment Income** – Any increase in the fair value of investments required to be reported in governmental funds at fair value is automatically considered to be available and is recognized immediately as revenue even if the government is required or otherwise plans to hold the investments to maturity. Earned interest may be recognized as revenue only as it becomes available. For Georgia, interest and other investment income available within 30 days of fiscal year-end should be recognized for modified accrual basis reporting.

b. **Lease Revenues (capital leases)** – The receivable for a capital lease in a governmental funds is initially matched by a deferred inflow of resources, unavailable revenue, with revenue being recognized only as amounts become available.

c. **Research Grants that Result in the Transfer of Rights to the Grantor** – Sometimes academic grants are made contingent upon the grantor obtaining rights to the resulting work product (patent, right to exclusive use). If the values exchanged are essentially equal (the amount of the grant is equivalent to the value of the anticipated work product), the "grant" should be treated as an exchange or exchange-like transaction, rather than as a voluntary nonexchange transaction. That is, revenue should be recognized as earned, to the extent that it is considered to be available.

2. *Derived Tax Revenues* – As derived tax revenues are based on an underlying exchange transaction, such as the occurrence of a sale for sales tax or the earning of income for income tax, revenue and receivable recognition criteria are generally the same as those of exchange and exchange-like transactions. Receivables should be recognized at the time of the underlying exchange, with revenue recognized only to the extent that amounts earned (that is, the extent to which the underlying exchange has taken place) are considered to be available. Unearned revenue would be recognized for any unearned amounts received and unavailable revenue would be recognized for any earned portion that does not meet the reporting period's availability criteria

3. *Imposed Nonexchange Revenues* – Revenues for imposed nonexchange transactions (property taxes and fines, fees and penalties not associated with an underlying exchange transaction) are generally recognized as soon as an enforceable legal claim has been established, provided the establishment of that claim does not precede the period with which the revenues are associated. Property tax revenue should be recognized in the period for which the taxes are levied, even if an enforceable legal claim only arises in the subsequent period (however, availability criteria have to be met prior to recognition). Assets received, prior to recognition of the imposed-nonexchange revenues is permitted, should be recognized as unearned revenues. If recognition of revenue is permitted, but availability criteria have not been met, unavailable revenue should be recognized.

4. *Government-mandated Nonexchange and Voluntary Nonexchange Transactions* – Accounting and financial reporting are identical for government-mandated nonexchange transactions and voluntary nonexchange transactions. Organizations should recognize a receivable as soon as they meet all applicable eligibility requirements (including any time requirements). Any payments received before eligibility all requirements have been met must be matched by an unearned revenue liability (or, if only time requirements have not been met, a deferred inflow of resources, unavailable revenues, should be the offset to the payment received). The following are the most common types of government-mandated nonexchange transactions and voluntary nonexchange transactions for governmental funds:

a. **Grants and Other Financial Assistance** – Accounting procedures related to the following have been included in a separate policy, Revenues and Receivables – Grants and Other Financial Assistance

- Intergovernmental Revenues
  - Expenditure-driven grants
  - Entitlements and Shared Revenues
  - Pass-through Grants
- On-behalf Payments
- Federal Food Stamp Program
- Contributions of Agricultural Commodities to School Lunch Programs

b. **Endowments and Similar Arrangements** – One of the five governmental fund types, the permanent fund, is specifically designed to account for "resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs" (endowments and revolving loan funds). Typically such arrangements result from a government-mandated or voluntary nonexchange transaction, which means that no receivable or revenue can be recognized until all eligibility criteria have been met.

In the case of endowments and similar arrangements, the key eligibility criterion is essentially negative (do *not* spend principal), and thus cannot truly be met until the government has custody of the resources. Consequently, no receivable is ever recognized in anticipation of a contribution to an endowment, even if the pledge made to the contribution is legally binding.

<u>GAAP Accrual Basis</u> **-** Under the GAAP accrual basis of accounting, as with the GAAP modified accrual basis, receivables are recognized when the transaction is considered complete, that is, when the organization has an enforceable legal claim to the resources (which could be that an exchange has taken place, that eligibility requirements have been met, etc.), regardless of when revenues are recognized. Revenues are recognized when measurable and earned, regardless of when cash is received. Revenues are recorded net of any uncollectible accounts. Unearned revenues are recorded when payment is received before earning is complete (e.g., before exchange has taken place or all eligibility requirements have been met). As the availability criterion for recognition does not apply, there are generally no unavailable revenues under the accrual basis. However, as described in the Recognition Criteria section, above, unavailable revenues can exist under the GAAP accrual basis if cash has been received and all eligibility requirements other than time requirements have been met. The GAAP accrual basis of accounting is used for the State's government-wide financial statements as well as for proprietary fund and fiduciary fund fund-level reporting. The specific considerations for the various types of receivables, revenue and unearned revenue described above for the GAAP modified accrual basis (other than those related to availability) essentially apply to the GAAP accrual basis, as well.

<u>General Accounting Procedures</u>:
The following procedures are used by organizations in the State of Georgia reporting entity to meet the requirements for statutory and GAAP reporting purposes.

Identifying Transactions
The term "transaction" describes actions involving either outside parties or a government's discretely presented component units. "Interfund activity" generally describes transaction-like activities between a government's various funds and blended component units.

Accounting Transactions and Journal Entries

State reporting organizations using the statewide financial system are required to use the general ledger chartfields for each revenue and receivable transaction. These chartfields may be different for budgetary reporting and GAAP transactions, such that journal entries may be required to convert between the various bases of accounting required for reporting. For a complete listing and description of the required chartfields consult the Reporting Structure and Chart of Accounts page on the SAO website (sao.georgia.gov > Reporting > Reporting Structure and Chart of Accounts). In accordance with the Chart of Accounts – Structure Overview policy, those State reporting organizations that do not use the statewide financial system must maintain a crosswalk from their local chart of accounts to the statewide chart of accounts.

Revenue clearing accounts are maintained by some organizations for unidentified receipts. On a regular basis as determined by the State organization, all transactions in the clearing accounts must be reclassified to the proper revenue accounts. At fiscal year-end, clearing accounts should equal zero by fund type by agency in accordance with the guidelines provided in the SAO accounting policy titled, *Control/Clearing Accounts – Balancing Requirements*.

Returned checks (NSF) should be analyzed to properly record them in the accounting records. Cash receipts should be reversed and receivables should be reinstated if the returned check was applied to a receivable account.

A comprehensive example of the accounting entries required for revenue, receivable, unearned and unavailable revenue activity, as applicable, under the various bases of accounting is provided in the Attachment to this policy. The examples included in Attachment I reflect normal operating transactions such as revenue for an expenditure-driven grant. Each example begins with the recording of a transaction using the statutory basis of accounting and provides the adjusting entries needed to convert to the modified and/or accrual basis of accounting.

Year-end Accounting Procedures

Funds that operate on a statutory basis must be converted to the GAAP modified accrual and/or GAAP accrual bases of accounting for the CAFR. Proprietary and fiduciary funds that do not operate on a statutory basis use the GAAP accrual basis of accounting throughout the year.

Statutory Basis and Cash Receipts and Disbursements Basis for Budgetary Compliance Reporting – There are no specific journal entries required to be posted at fiscal year-end related to revenues and receivables.

Converting to GAAP Modified Accrual Basis for CAFR Reporting – the following are the most common types of adjustments required to convert to the GAAP modified accrual basis:

1. *Revenues recorded based on encumbrances* – For the most part, the statutory basis exceptions to the GAAP modified accrual basis, described in the Basis of Accounting section above, are converted to GAAP modified accrual when revenues and receivables recorded based on encumbrances are eliminated from the GAAP financial statements. The prior year elimination of the revenues recorded based on encumbrances must also be reversed for the current year's reporting.

2. *State appropriations revenues* – At the State reporting level, statutory basis State appropriations revenues are not considered revenues, but are transfers between the State Treasury and the appropriated agencies. The statutory based revenues (transfers in) are netted against allotment disbursements made by the State Treasury (transfers out).

3. *Other funds –*

a. **Cash received** – Any other funds received and recognized as revenues on the statutory or cash receipts and disbursements bases, but for which i.) An exchange or underlying exchange has not yet taken place, ii.) a claim is not yet enforceable or iii.) Time requirements have been met, but other eligibility requirements have not been met must be reclassified from revenues to unearned revenues.

b. **Cash not received** – Any other funds not received in cash, and therefore not recognized as statutory basis revenues, should be recognized as revenues and accounts receivable, if availability criteria are met. Other funds booked on the GAAP modified accrual basis that are not booked on the statutory basis include taxpayer assessed revenues and interest received within 30 days of fiscal year-end.

4. *Unavailable revenues* – Amounts recognized as revenues on the statutory basis that do not meet time eligibility requirements (as applicable) must be reclassified to unavailable revenues. Exchange, exchange-like and derived tax revenues for which at least some portion of the exchange or underlying exchange has taken place and for which assets are *not* available prior to year-end must be recognized to the extent the exchange (or underlying exchange) has taken place as accounts receivable and unavailable revenues. The prior year recognition of any like revenues recorded must also be reversed for the current year's reporting.

5. *Uncollectible receivables* – As noted above, there are statutory restrictions regarding write-offs of amounts owed to the State, statutory basis accounts receivable are not reported net of uncollectible amounts as required by the GAAP modified accrual basis. Allowances for doubtful accounts are recorded to convert from the statutory to the GAAP modified accrual basis.

6. *Fund Balance Carried Over from the Prior Year* – Carryover funds are reported as funds available (credit) and an adjustment to beginning fund balance (debit) for statutory reporting. These offsetting amounts are eliminated for GAAP modified accrual basis reporting.

7. *Prior Period Adjustments* – Amounts reported on the statutory basis as prior period adjustments that relate to revenue accounts are reclassified on the GAAP modified accrual basis to adjustments of current year revenue balances unless these adjustments are significant at the State level in which case they may be reported as accounting changes.

8. *Additional Items* – There are revenues removed from statutory basis statements in order to report certain budgetary organizations in funds other than the General Fund in the CAFR. These include the Board of Regents, the Technical College System of Georgia, the Employees' and Teachers Retirement Systems, and certain operations of the Department of Administrative Services. There are also activities added to the State's General Fund that are not included in the statutory basis financial statements.

<u>Converting to Accrual Basis for CAFR Reporting</u>

1. Additional interest is accrued for interest earned between 31 days and 1 year.

2. The governmental activities portion of internal service fund activity is posted.

3. Any capital assets additions made by donation should be reported as Capital Grants and Contributions – Capital Contributions.

4. Unavailable revenues that are not considered earned on the GAAP modified accrual basis because they are not available because they are not collectible in the near term should be reclassified from a deferred inflow to revenue.

Accrual Basis for Funds Not Reporting on a Statutory Basis – Revenues and receivables are recognized when earned, regardless of when cash is actually received (available). Any revenues not recognized under GAAP modified accrual only because the availability criteria had not been met, would be recognized under GAAP accrual.

At the close of the fiscal year, certain identified State fund revenues remaining in fund balance may be retained for subsequent period expenditures. See Statewide Accounting Directive 201101, *Fund Balance Accounts*, for further guidance on carry-over procedures and sample transactions for recording accounting entries related to carry-over amounts.

Those State reporting organizations that record day-to-day revenues, receivables, unearned revenue and unavailable revenue transactions on a basis of accounting that varies from the GAAP reporting basis requirements must identify and provide to the State Accounting Office reconciling differences between the bases of accounting. This process enables the conversion to the appropriate GAAP basis of accounting for GAAP financial reporting purposes. The year-end reporting package, as provided by SAO, accommodates the process of the identification and submission of these differences. Timely completion of each form facilitates the conversion process. Year-end forms are available on the Reporting Forms page of the SAO website (sao.georgia.gov > Reporting > Year-End Reporting > Reporting Forms).

The forms and other tools applicable to revenues and receivables include:
- Appropriations Receivable Reconciliation
- Revenues Based on Encumbrances
- Classification of Revenues
- Allowance for Doubtful Accounts
- Applicable Fund Balance form
- Questionnaire
- Year-End Close Checklist

Please see the individual form on SAO's website for an explanation as to how the requested information assists SAO in the reconciliation process from transactions recorded on a statutory basis of accounting to GAAP financial statement reporting.

Statement Presentation and Disclosure Requirements

Statement Presentation for Various Reporting Perspectives

1. *Budgetary Statements* – Statutory basis revenues included in budgetary financial statements are presented in accordance with the categories of revenues presented in the State's appropriations acts. The major categories are State funds, federal funds and other funds. Each of these major categories is subdivided into more specific funding sources, such as State General Funds and Federal Funds Not Itemized. Revenues of the State Revenue Collections Fund, reported on the cash receipts and disbursements basis, included in budgetary reports are principally by tax type as included in budget documents issued by the Office of Planning and Budget. In addition to taxes, Lottery proceeds, Tobacco Settlement funds and regulatory fees and sales receipts collected by various State agencies are other categories of revenues presented.

2. *CAFR Governmental Funds Statements* – When budgetary statements are converted to GAAP modified accrual for governmental funds fund–level reporting in the CAFR, the statutory and cash receipts and disbursement basis revenue categories (that are not eliminated in the conversion) are compiled into major revenue sources such as taxes, licenses and permits, intergovernmental revenues, sales and services, fines and forfeits, etc.

3. *CAFR Proprietary Funds Statements*– Enterprise funds fund–level reporting distinguishes operating revenues from nonoperating revenues, with operating revenues being those that cover the cost of goods and services provided by the particular enterprise fund and nonoperating revenues being limited to items not directly related to the principal and usual activity of the fund.

4. *CAFR Government-wide Statements* – Government–wide reporting and component unit fund–level reporting are classified as program or general revenues. Program revenues are derived directly from the government's programs themselves or from sources outside the government's tax base directly related to the program. They reduce the net cost of the government's functions to be financed from the government's general revenues. Program revenues are required to be reported within the categories of sales and charges for services, operating grants and contributions or capital grants and contributions. General revenues are all other revenues that are not program revenues and are composed predominantly of taxes.

Required Disclosures

1. *The GASB Codification, Section 2300* requires the following disclosures in the financial statements regarding revenues and receivables:
   - ***a.*** Details about receivables that are aggregated in the financial statements – The State presents an aggregation of receivables in the government-wide statement of net position and presents details of that aggregation in the notes to the financial statements.
   - ***b.*** The revenue recognition policies used in fund financial statements, including the length of time used to define *available* for purposes of revenue recognition in the governmental fund financial statements – The State presents these revenue recognition policies in Note 1, Summary of Significant Accounting Policies.
   - ***c.*** A description of the types of transactions included in program revenues and the policy for allocating indirect expenses to functions in the statement of activities – The State presents a description of the program revenues in Note 1, Summary of Significant Accounting Policies. The State does not allocate indirect expenses to functions in the statement of activities.
   - ***d.*** The policy for defining operating and nonoperating revenues of proprietary funds – The State presents information regarding operating and nonoperating revenues of proprietary funds in Note 1, Summary of Significant Accounting Policies.

2. *Per GASB Codification, Section 2400.102*, a government with significant budgetary perspective differences that result in the government's not being able to present budgetary comparisons for the general fund and each major special revenue fund is required to present budgetary comparison schedules as Required Supplementary Information (RSI) based on the fund, organization, or program structure that the government uses for its legally adopted budget. The State presents budgetary comparisons as RSI for the Budget Fund, the structure of its legally adopted budget.

Definitions:

Accounts Receivable – A current asset account reflecting amounts due from individuals, firms, corporations, or other organizations for goods and services furnished by a government.

Availability Criterion – Principle under the modified accrual basis of accounting that requires revenues to be recognized only when they are collected or collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Availability Period – A specified period immediately following the close of the fiscal year by the end of which cash must be collected for related revenue to be recognized in accordance with the availability criterion of modified accrual accounting.

Derived Tax Revenues – Nonexchange revenues that result from assessments imposed on exchange transactions (for example, income taxes, sales taxes, and other assessments on earnings or consumption).

Exchange Transaction – A transaction in which each party receives and gives up essentially equal values.

Government-mandated Nonexchange Transaction – Situation where a higher level government requires performance of a lower level government and provides it full or partial funding to do so.

Imposed Nonexchange Revenues – Revenues that result from assessments imposed on nongovernmental entities, including individuals, other than assessments on exchange transactions (for example, property taxes and fines).

Inflow of Resources **–** Acquisition of net assets by the government that is applicable to the reporting period.

Measurable – When an amount can be accurately determined or reasonably estimated.

Nonexchange Transaction – A transaction in which a government (including the federal government, as a provider) either gives value (benefit) to another party without directly receiving equal value in exchange or receives value (benefit) from another party without directly giving equal value in exchange.

Revenues – (1) Increases in the net current assets of a governmental fund type from other than expenditure refunds, operating transfers, and "other financing sources." (2) Increases in the net total assets of a proprietary fund type from other than expense refunds and transfers.

Unavailable Revenue – A deferred inflow of resources that represents amounts earned, but which are not available. These are generally offset by accounts receivable on the GAAP modified accrual basis.

Unearned Revenue – A liability that represents amounts received, but not yet earned.

Voluntary Nonexchange Transactions – Transactions that result from legislative or contractual agreements, other than exchanges, entered into willingly by the parties to the agreement (for example, certain grants and private donations).