

# AAM 10. FINANCIAL SYSTEM INFORMATION

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## **AAM 10.010 State Financial System**

The state financial system is designed to make it possible to present fairly and with full disclosure the financial position and results of financial operations of the funds and account groups of the state in conformity with generally accepted accounting principles (GAAP); and determine and demonstrate compliance with finance-related legal and contractual provisions. In accordance with [AS 37.05.150](#), this includes both budgetary and property accounts. The broadest definition of the state financial system includes all of the activities required to provide quantified information needed for planning, controlling, and reporting the financial condition and operations of the state.

Accounting materials contained in this manual include primarily policy issues. Procedures not covered in other state publications, primarily the financial system manuals, are also included. The procedural material in this manual is intended to supplement the information contained in other publications.

## **AAM 10.020 Authority for State Financial System**

The state financial system is established pursuant to authority vested in the Department of Administration by [AS 37.05.140](#) and other statutes.

## **AAM 10.030 Duplicate Records and System Changes**

The effectiveness and efficiency of the financial system depends directly upon agency accounting personnel. It is their responsibility to ensure that transactions

are submitted promptly, recorded correctly, and management information is produced as required. The financial system provides the flexibility to meet all departmental accounting needs without requiring duplicate financial systems. Assistance in developing specific applications is available from the Department of Administration, Division of Finance. Deviations from the system require the approval of the Department of Administration, Division of Finance, as prescribed in [AS 37.05.140](#).

<b>AAM 10.035</b>	<b>Archives and Records Management</b>
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Each state agency is responsible for maintaining records sufficient for audit purposes. Support for accounting transactions should be available for review in accordance with a records retention schedule that has been approved by Archives and Records Management Services in the Department of Education and Early Development.

<b>AAM 10.040</b>	<b>Application and Interpretation of Manual</b>
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Material in the accounting sections of this manual are the responsibilities of the Department of Administration, Division of Finance. Questions with regard to the application or interpretation of any of these sections should be directed to the Division of Finance.

<b>AAM 10.050</b>	<b>Disclosure of Criminal Acts (11-22)</b>
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All state agencies and each state employee in a knowledgeable or responsible position of employment are required to report any known or suspected acts of fraud, embezzlement, or other misuse of state funds or property to the Division of Finance. Notification shall occur not later than the first day of business following the discovery of the actual or suspected crime. All allegations reported to the Director of the Division of Finance or designee will be treated as confidential information. The names of persons or agencies involved in the allegations will be protected to the extent allowed by the laws of the state.

<b>AAM 10.060</b>	<b>Deviations from Approved Financial Plans</b>
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Article IX, Section 13, of the Alaska Constitution requires that no money shall be withdrawn from the treasury except in accordance with appropriations made by law. No obligation for the payment of money shall be incurred except as authorized by law. Agencies must monitor their appropriations closely to ensure no overexpenditures occur. If unanticipated personal service costs, failure to collect program revenues, or other factors indicate that a program revision is required, then the following actions must be taken immediately. The budget must be revised using the procedure contained in the Guide to Revised Program Procedures issued by the Office of Management and Budget. If there are not sufficient funds available to cover the shortfall, then a request for a supplemental or special appropriation must be prepared as authorized in [AS 37.07.100](#).

To avoid overspending appropriations, only revenues that are susceptible to accrual may be used for budgeting purposes. Only revenues that are available and measurable are susceptible to accrual: They are "available" during the fiscal year if collections may be used to pay liabilities arising from expenditures of that period; they are "measurable" if the amount can be determined in advance of the time the revenues are to be collected. The available amount must be adjusted for uncollectibles or bad debts based upon either past experience or management judgment.

<b>AAM 10.070</b>	<b>Accounts Structure Maintenance</b>
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The Division of Finance maintains the account structure, including all real and nominal accounts. The Division of Finance also defines the levels of accounts to be used for recording revenues and expenditures at the statewide level and budgets at the statewide level.

Agencies can set up detail accounts below the statewide level to accommodate particular accounting and reporting requirements.

<b>AAM 10.080</b>	<b>Code Assignment Policy</b>
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The Division of Finance has responsibility to assure that appropriations are set up in accordance with statutes and generally accepted accounting principles. Agencies set up their own structures for recording budgetary and actual financial transactions from the block of numbers assigned by the Division of Finance.

<b>AAM 10.090</b>	<b>Legislative Fiscal Control</b>
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Except as limited by constitutional provisions, the legislative body of the state has absolute control over state finances. Only the legislature may authorize taxes, set aside revenues for a special purpose, and provide for the deposit, investment, and expenditure of state funds. Subject to constitutional restrictions, the legislature has full control over the source, application, and disposition of public revenues.

<b>AAM 10.100</b>	<b>Financial System Access Security</b>
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The financial system [Access Affidavit](#) provides security access to users of the financial system. It is the responsibility of every user to protect the security of data entry at each terminal and to maintain password security for their User ID.

**AAM 10.110****Bonds Issuance**

Section 8, Article IX of the Constitution provides that:

No State debt shall be contracted unless authorized by law for capital improvements and ratified by a majority of the qualified voters of the State who vote on the question.

Accordingly, each issue of general obligation bonds requires authorization by the Legislature and approval by the voters.

In our state, an authorization to issue bonds does not, by itself, require that they be sold, nor does it carry with it permission to expend the proceeds. The State Bond committee determines when bonds are to be sold and every authorization to expend is based on an appropriation made by the Legislature.

Whenever the State Bond Committee, which consists of the Commissioner of Commerce, the Commissioner of Administration, and the Commissioner of Revenue, determines that bonds should be sold, it prepares an official statement. The official statement is designed to give a full and accurate statement of the state's financial position to prospective bidders and investors.

The State Bond Committee also adopts a resolution pertaining to the bonds being offered. The resolution fixes the principal amount, denominations, maturities, terms, and other matters pertaining to the issue. All bonds are sold at public sale. The proceeds from a bond sale are deposited in a bond construction fund.

**AAM 10.120****Repayment of Bonds**

A special fund to pay the principal and the interest on the bonds is known as the Bond Redemption Fund for the specific issue authorized. It has been a well-established practice to account for bond redemption activities out of one general purpose redemption fund with a series of specific reserve accounts. All money needed for the payment of principal and interest on outstanding bonds is credited to this fund. The Bond Redemption Fund may be used for the sole purpose of paying and securing the payment of such principal and interest as they become due.

[AS 37.15.030](#) provides that the effective rate of interest over the life of a bond issue cannot be in excess of eleven (11) percent a year or that rate of interest that is 110 percent of the rate of the Bond Buyer Index of 20 Municipal Bond Average Yields for the week previous to the date of sale of the bonds, whichever is higher. The actual interest rate is determined by bids received at public sale. The bonds must mature in not more than 30 years from the date of issue, unless a longer period is specifically authorized by statute.