

## AAM 40. REVENUE

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<b>AAM 40.010</b>	<b>Revenue Term Definition (10-09)</b>
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### Abatements

Abatements are reductions or cancellations of a part or all of an expenditure. Refunds of expenditures because of overpayments of salaries, commodities, etc, and rebates from vendors for defective or returned merchandise are classified as abatements. They are accounted for as credits to expenditures, unless they are related to prior fiscal year authorizations received after August 31 of the fiscal year. These are recorded in the "Prior Year Reimbursement Recovery" account which is treated as an unbudgeted restricted revenue. Payments by other agencies, persons, and organizations for materials or services furnished are not to be accounted for as abatements, with two exceptions:

- Certain travel reimbursements in accordance with AAM [60.230](#).
- Performance bonds, which are treated as abatements for budget purposes. These recoveries restore an existing appropriation, and their expenditure is authorized by the original appropriation that paid for the performance bond. Contact the Division of Finance to record material performance bond recoveries as revenues for generally accepted accounting requirements in the Comprehensive Annual Financial Report.

### Revenues

Revenues are inflows or other enhancements of assets of an entity or settlements of its liabilities (or a combination of both). They are classified as budgeted or unbudgeted according to source.

### Program Receipts

(Note: This is not a generally accepted accounting term.) Program receipts are revenues generated through the operation of a program. For example, ticket fees from the state ferries are program receipts for the Alaska Marine Highway System. They may be either budgeted or unbudgeted revenues. They have a direct effect on the amount of money an agency is authorized to spend. Program receipts, like expenditures and encumbrances, affect appropriations and authorizations.

If an agency does not realize budgeted program receipts, it must lapse authorizations in an amount equal to or greater than the amount of unrealized program receipts.

### Budgeted Receipts

(Note: This is not a generally accepted accounting term.) Budgeted receipts are resources budgeted for specific programs. In other words, receipts specifically identified in the appropriations bill as the source of financing for the appropriations. They are recorded and reported on the accrual basis. Budgeted receipts are recorded and reported in the fiscal year in which they are earned.

### Bill for Collection

A Bill for Collection is used to invoice a debtor for amounts owed the state.

<b>AAM 40.020</b>	<b>Basis of Revenue Accounting</b>
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The state uses the modified accrual basis of accounting to account for revenues. Under the modified accrual basis of accounting revenues are recognized in the accounting period in which they become susceptible to accrual, i.e., when they become both measurable and available to finance expenditures of the fiscal period. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues that are determined to be susceptible to accrual include federal grants-in-aid, charges for services, and investment income. Taxes based on self-assessed tax returns subject to the pay-as-you-go provision of the tax laws are not susceptible to accrual and are recognized when received in cash, and accounted for in the fiscal year in which they are received.

Revenue accounts are credited as of the date remittances are received in the Treasury. However, cash received on or before June 30 but not deposited in the Treasury as of that date is accounted for as revenue of the fiscal year in which it is received.

**AAM 40.030    Deferred Revenues Estimates**

An expenditure authorization may be restricted by an agency or the Office of Management and Budget. Typically, this is done whenever there is a question as to the ability of an agency to fully realize its estimated budgeted revenues. At the same time that a spending authorization is restricted, the budgeted revenue estimate is deferred.

Generally, it is not necessary to defer unbudgeted revenues. In lieu of recording a deferral, unbudgeted revenue estimates should be decreased.

**AAM 40.040    Restricted Revenues**

Restricted revenues identify appropriated revenues by source. Restricted revenue estimates and actual collections are recorded for both appropriations and funds and are included in the net available balance calculation for appropriations.

**AAM 40.050    Unrestricted Revenues**

An authorization to spend money (an appropriation) is not contingent on the ability of an agency to earn unbudgeted revenues. If there is a dramatic drop in unbudgeted revenue, the spending authority of many agencies may be restricted in order to maintain the solvency of the state. Other than cause and effect, however, spending restrictions of the agencies or the appropriations involved need bear no relationship to the shortfall.

**AAM 40.060    Reimbursable Services Agreement (RSA)**

An RSA is an inter-entity transfer based on a Reimbursable Services Agreement, whereby one agency is reimbursed for costs associated with services provided to another agency. RSAs will not be used as a means of transferring funding sources between appropriations. All RSAs and changes must be prepared in accordance with guidelines set by the Office of Management and Budget. The agency requesting the services is responsible for encumbering the full balance of the transfer amount. The agency providing the services approves the transactions as the dual approval authority.

**AAM 40.070    Reimbursable Costs**

Agencies are required to recover indirect, as well as, the direct cost of services provided on a reimbursable basis. All contracts and agreements

for services to be performed by state agencies will contain a provision for the recovery of indirect costs including administrative overhead expenses. Exceptions to this rule may be approved only by the Office of Management and Budget.

<b>AAM 40.080    General Refund Policy (10/10)</b>
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An agency that receives revenues shall refund excess or erroneous collections. Before a refund is processed, however, a review should be made to determine if there are other amounts owed by the payer to which the overpayment may be applied. Agencies may refrain from making refunds of \$10 or less unless one is requested by the person who made the overpayment.

Refunds are direct charges against revenues of the funds to which the original collections were credited.