

# SECTION 3: AKSAS ACCOUNTING

## Accounting Structures

### INTRODUCTION

*Accounting Structures* provides general information about accounting structures used by the Alaska Statewide Accounting System (AKSAS). Accounting structures are the framework for AKSAS and provide the mechanism for compiling financial information in accordance with the statewide budget and for annual financial reporting. The accounting structures also allow agencies to keep track of activity for agency-specific accounting and reporting, such as federal reporting and cost accounting.

### Financial Reporting Structures

Financial reporting structures are hierarchies created to account for and report financial activity in detail. Each hierarchy consists of individual entities for which financial transactions can be recorded and reported. The relationship of each entity to the hierarchy is defined by its logical level and reports-to relationship. Financial activity is summarized through the hierarchy from the bottom up, beginning with the entities where financial transactions are recorded and summarizing activity at each higher level based on reporting relationships.

AKSAS has seven financial reporting structures (fund, appropriation, organization, program, project, contract, and grant); six account structures (assets, liabilities, fund equities, restricted revenues, unrestricted revenues, and expenditures); and an RD code structure. Structural entities, along with System Management Files (SMF) in AKSAS, contain the required and optional controls for recording financial activity.

All reporting structures consist of five-digit entity numbers and are maintained on the Entity Structure File (ESF). Entities can be viewed online through IE - Entity and CC/LC Inquiry. Hard copy reports are also available through RR - Report Request Maintenance.

### **Fund Structure**

The fund structure is used to maintain the funds of the state in accordance with statutes and generally accepted accounting principles. Funds are self-balancing sets of accounts authorized by the legislature to account for and report on particular activities and to account for the assets, liabilities, and equities of the state. All financial activity of the state is accounted for within a fund. Funds are classified according to the nature of the activities and the source of financing. Examples of funds used by the state are the General Fund, Special Revenue Funds, Enterprise Funds, Internal Service Funds, and Trust and Agency Funds. Financial activity is recorded to the fund structure through collocation codes. The Division of Finance sets up and maintains the fund structure. For more information about funds, refer to *Section 13: Fund Accounting*.

### **Appropriation Structure**

The appropriation structure maintains the statewide budget (capital and operating) for the fiscal year and includes structural entities for all appropriations and allocations identified in the appropriations bill. The Division of Finance reviews and approves structural transactions that add and change appropriation entities to assure correspondence to the appropriations bills. The Office of Management and Budget (OMB) and the Division of Finance oversee the recording of the budget to the appropriation structures. Agencies can add lower level appropriation entities to manage and control spending and to record receipts. Financial activity is recorded to the appropriation structure through collocation codes.

### **Organization Structure**

The organization structure maintains the management and reporting hierarchy for each state agency. The organization structure is used to summarize appropriation activity along organizational lines, such as geographical lines, to summarize financial data by region or location. Agencies set up and maintain their own

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organization structure. Financial activity is recorded to the organization structure through collocation codes.

### **Program Structure**

The program structure maintains agency-assigned programs for keeping track of financial activity across appropriation and organizational lines. Financial activity is recorded to the program structure through collocation codes. The program can be identified within the collocation code and all financial activity recorded through the collocation code is automatically reported for the program, or the program code can be entered as a separate code in the transaction financial lines. When the program is added as a separate code, only financial activity associated with the financial line in which the program code is entered is recorded in the program structure. Agencies set up and maintain their own program structure.

### **Project, Contract, and Grant Structures**

The project, contract, and grant structures provide inception-to-date basis reporting for activities that cross multiple state fiscal years or by federal fiscal years. The contract structure also provides detailed reporting of installments on contracts across project or grant lines. The grant structure provides reporting of federal billing across project lines, or it can be used to summarize the distribution of grants to local government agencies. Financial activity is recorded in the project, contract, and grant structures through ledger codes. The structures can be linked to each other through ledger codes as one ledger code can report to all three structures. Agencies set up and maintain their own project, contract, and grant structures.

### **Account Structures**

The account structures maintain the real and nominal account balances according to fund accounting and reporting requirements and generally accepted accounting principles (GAAP). Real accounts maintain the balances of the assets, liabilities, and equities of the funds of the state. Nominal accounts are the revenues and expenditures used to report the results of operations.

**Asset Account Structure** - Maintains cash and investments management by the Department of Revenue, Treasury Division. Also maintains cash-held-in-trust and accounts receivables in operating funds.

**Liability Account Structure** - Maintains the liabilities of the state such as warrants outstanding and accounts payable.

**Fund Equity Account Structure** - Accounts for reserves and available fund balances.

**Restricted Revenue Account Structure** - Maintains appropriated revenues earmarked for particular uses through appropriations.

**Unrestricted Revenue Account Structure** - Maintains general revenues of the state received from taxes, royalties, etc.

**Expenditure Account Structure** - Maintains disbursements according to the nature of the goods or services being purchased.

### **RD Code Structure**

The RD code structure maintains the Responsibility/Distribution (RD) codes used to control user security in AKSAS. RD codes allow users to sign on AKSAS; control the features users can access; identify the transactions the users are allowed to originate, certify, and approve; control the type of reports users may request; and identify who should receive reports.

### **Logical Levels**

Each entity in a structure is assigned a logical level, corresponding to its relationship to entities above and below it. The logical level number assigned to an entity must be greater than the logical level number assigned to its

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reports-to-entity. Up to 99 logical levels are available for a reporting structure.

### **Reports-to Relationships**

Reports-to relationships define the exact location of an entity in a reporting structure by specifying the next-higher-level entity through which its activity should be summarized. For example, an allocation reports to an appropriation. In summarizing financial data for reporting, AKSAS traces a path from the bottom to the top of the structure through reports-to relationships.

### **Beginning and Ending Sequence Numbers**

AKSAS assigns each entity on the Entity Structure File (ESF) a beginning and ending sequence number. These numbers are used as keys or indexes to identify the entity number on the Management Report File (MRF).

### Collocation Codes and Ledger Codes

AKSAS uses collocation codes and ledger codes to record financial activity to the financial reporting structures. Collocation codes are required in all transactions and identify the fund, appropriation, organization, and internal program to which financial activity is recorded. Ledger codes are optional and identify the project, contract, and/or grant to which financial data is recorded.

Collocation codes and ledger codes are identified by eight-digit codes and are maintained on the Collocation Code/Ledger Code File (CLF). They can be viewed online through IE - Entity and CC/LC Inquiry. Hard copy reports are also available through RR - Report Request Maintenance.

### **Collocation Codes**

The collocation code is a required eight-digit code entered in financial transactions. The collocation code, or CC, is entered with an associated two-digit set-up year, or SY, to identify the chart of accounts (COA) year associated with the collocation code. Collocation codes must point to the fund and organization structures and usually point to the appropriation structure. They may also point to the program structure.

Collocation codes are the means by which financial information flows into the financial reporting structures. Collocation codes are not accounting structures and do not have hierarchy or reports-to relationships to each other.

### **Ledger Codes**

The ledger code, or LC, is an optional eight-digit code that may be entered when recording a financial transaction. Ledger codes point to the project, contract, and/or grant structures and are used for agency-specific accounting and reporting, such as cost accounting and federal reporting. Ledger codes can be entered as separate codes in financial lines, or they can be identified as default ledger codes in the collocation codes for appropriations associated with the project, contract, and/or grant. If a ledger code is the default ledger code in the collocation code, all financial activity recorded through the collocation code is automatically reported in the structures to which the ledger code points. If the ledger code is entered as a separate code in the financial line, only the financial activity associated with that financial line is recorded to the structural entities to which the ledger code points.

Ledger codes are the means by which financial information flows into the entity structures. Ledger codes are not accounting structures and do not have hierarchy or reports-to relationships to each other.

### ESF and CLF Maintenance

Records on the Entity Structure File (ESF) and Collocation Code/Ledger Code File (CLF) are maintained through structural transactions submitted online or through the batch interface process by agency personnel and the Division of Finance. These transactions are processed by the Structural Transaction Processor (STP).

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ESF and CLF records are kept online for the current fiscal year plus two years. From July through April, it is the current fiscal year plus the immediate prior fiscal years. From May through June, it is the current fiscal year plus the prior year plus the future year. The only structure not associated with a fiscal year is the RD code structure.

### Fully Qualified Account

A fully qualified account (FQA) is the financial information entered in a transaction by the user that identifies the accounting structures to which the financial activity is recorded. The FQA contains the required fiscal period code, set-up year, collocation code, account, and federal fiscal year. The FQA may also contain an optional program and/or ledger code.

**Fiscal Period Code (FPC)** - The fiscal period code indicates the fiscal year set of books that is associated with the transaction. The fiscal period code is also referred to as the chart of accounts (COA) year. The state's fiscal year is July 1 through June 30.

**Set-up Year (SY)** - The set-up year is a two-digit year associated with the collocation code through which the financial activity is recorded. For example, a collocation code with a set-up year of 99 will point to a fiscal year 1999 appropriation.

**Collocation Code (CC)** - The eight-digit collocation code identifies the fund, appropriation, organization, and program structures to which the financial activity is recorded.

**Program Code (PR)** - The optional five-digit program code may be entered to specify a different program than identified by the collocation code.

**Ledger Code (LC)** - The optional eight-digit ledger code identifies the project, contract, and/or grant structures to which the financial activity is recorded.

**Account Code** - The five-digit account identifies the real (asset, liabilities, and fund equities) and nominal (expenditures and revenues) accounts of the state to which the financial activity is recorded.

**Federal Fiscal Year (FFY)** - A two-digit year identifying the federal fiscal year to which the financial activity is recorded.