STATE OF MISSISSIPPI
DEPARTMENT OF FINANCE AND ADMINISTRATION

TOPIC	ACCOUNTING PRINCIPLES	SUB-SECTION 02.10.60
SECTION	GAAP ACCOUNTING PRINCIPLES	ISSUANCE DATE JUNE 30, 1999
SUB-SECTION	REVENUE ACCOUNTING	REVISED - 2018

REVENUE ACCOUNTING

In the State of Mississippi, all funds except for proprietary and fiduciary funds recognize revenue in the accounting period in which the revenue becomes both measurable and available to finance expenditures in the current fiscal year.

This is defined as the modified accrual basis of accounting as previously discussed under bases of accounting. The proprietary, nonexpendable trust and pension funds recognize revenue when it is earned (measurable) which is defined
as the accrual basis of accounting. Under both bases, however, if revenue is received in a fiscal year prior to the year in which it is earned, the revenue should be deferred.

The State of Mississippi obtains revenues from three general sources: federal grants, state taxes, and other sources. State taxes can be divided into four general types: (1) income, (2) sales, (3) inheritance, and (4) privilege and severance.

INCOME TAXES

The following general accounting policies will be employed with respect to income taxes:

1. Receipts are recognized as revenue when received with the following exceptions:

   Income taxes withheld from the employee's pay and due the following month to the receiving agency shall be recorded as taxes receivable.

   Liabilities will be established for anticipated refunds to be paid as revenue in the future on amounts recorded as revenues through the end of the reporting period.

2. Overpayments which are credited against future tax liability will be deferred and recognized in the period to which they relate, if material.

3. Fines, interest and penalties are recognized when received, unless taxes, interest penalties have been assessed by the taxing agency.

Income tax payments of taxpayers will be recorded when taxes are received. The State cannot assess taxpayers for underpayment if they have met the legal guidelines of either withholding or estimated payments during an interim period in the taxpayer's year. Such amounts are not measurable because they are dependent upon a final determination of income, not determinable until the end of the taxpayer's year. Income tax other than employer withholding is self-assessed and becomes measurable only when the taxpayer submits a return.

SALES AND EXCISE TAXES

Sales and excise taxes are recognized as revenue when earned if collection of the tax occurs soon enough after the year end for the revenues to be available to meet current obligations for the fiscal year being reported (i.e., during the lapse period). Sales and excise taxes are paid by the retailer within one month of collection and then should be accrued. Receipts are considered to be available if they have been collected by an agent of the State (anyone licensed to collect taxes or fees on behalf of the State).

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INHERITANCE TAXES

Inheritance taxes will be recognized as revenue at the time the taxpayer's liability is determinable if collection is available within the State's two-month lapse period to meet obligations of the fiscal year being reported.

PRIVILEGE AND SEVERANCE TAXES

Privilege and severance taxes will be recognized as revenue when earned if collection of the tax occurs soon enough after the year-end for the revenues to be available to meet current obligations for the fiscal year being reported. For the most part, privilege and severance taxes are paid within one month of the collection by an agent of the State.

For each of the categories above, revenues recognized should be reduced by the estimated level of refunds and credit memos related to the collections.

FEDERAL GRANTS

There are two major types of awards to the state and local governments, grants and entitlements.

Grants are a contribution, a gift of cash, or other assets to be used or expended for a specified purpose, activity, or facility. There are two types of grants: capital and operating. Capital grants are restricted by the grantor for the acquisition and/or construction of fixed (capital) assets. All other grants are considered to be operating grants. Block grants should be included in this latter classification.

The second major award category is entitlements. An entitlement is the amount of payment to which the State is entitled as determined by the federal government pursuant to the allocation formula contained in applicable statutes.

Each of the two types of awards are accounted for in one of the three categories of funds (governmental, proprietary and fiduciary) described in sub-section 02.10.20. These may be specified in the award document, statutes or related legislation. Most federal awards will be classified as either general fund or special revenue funds.

Federal revenues may be received at different times within the award cycle depending on the provisions of the award. Expenditures may be funded by an advance, by a letter of credit, or by after-the-fact reimbursements. For governmental funds, revenues should be recognized on grants or entitlements in the accounting period in which they become both measurable and available. In applying this definition, legal and contractual requirements of the award should be carefully reviewed for guidance. If expenditure of the proceeds is the prime factor for determining eligibility, then revenue should be recognized when the expenditure is made since it is then both measurable and available. The different types of terms and conditions used in federal programs make it difficult to follow a single rule for revenue recognition. The key question for each federal revenue source is "when is the state agency entitled to receive the funds?" In most cases, the state agency is entitled to the funds when the expenditures have been made or when the action of the grantor makes the receipt of funds a relative certainty.

The appropriate type of reporting in the financial statements depends on whether the revenue has been received and whether the revenue recognition criteria have been met. If revenues have not been received and the recognition criteria have been met, the State should report a receivable. If revenues have been received but the recognition criteria have not been met, the State should record deferred revenues.

In many cases, a subsequent audit of a grant may result in a disallowance of costs already reimbursed. Such audits may be performed by the grantor or an independent auditor. The potential for such situations should be disclosed in a footnote to the financial statements. The amount of refund, if any, should be recorded as an expenditure, when paid, except when estimated liabilities for repayment which appear imminent should be recorded.