



<b>Section</b>	<b>01</b>	<b>INTRODUCTION</b>	<b>Effective Date</b>	<b>7/1/2015</b>
<b>Sub-section</b>	<b>02</b>	<b>Basis of Accounting</b>	<b>Revision Date</b>	<b>3/31/2015</b>
<b>SAM Ref</b>	<b>Intro-2</b>			

**BACKGROUND**

**Basis of Accounting**

Wisconsin Statutes require that receipts and disbursements be recognized in the fiscal year in which they are received or paid. However, stocks owned by the state retirement funds are an exception to this rule. These stocks are adjusted to market at the end of each month and the resulting unrealized gains or losses are reflected in the accounts of the retirement funds. State administrative policies also require receipts and disbursements to be reported on a net basis; i.e., receipts less over-collections refunded, and disbursements less overpayments collected.

The state's accounting records remain open until July 31, (August 15 for income, sales and use tax receipts) in order to allow state departments to enter transactions applicable to the fiscal year ended June 30. Exceptions are the Building Trust Fund, the Capital Improvement Fund and the Bond Security and Redemption Fund which are closed as of June 30. State departments have until August 31 to submit corrections to the prior year's transactions to the Department of Administration.

The July and August recording of prior fiscal year's receipts and disbursements results in accrued revenues and accounts payable balances in the annual statement of assets, liabilities and fund balances required under ss. 16.40(3). Fixed assets as well as inventories are recorded as disbursements when they are purchased. Since expenditures in a period are limited by law to those for which appropriations have been made, it is extremely important to keep expenditures within authorized levels. The use of encumbrances provides a vital control over expenditures. Encumbrances are not expenditures. They represent commitments made for goods on order and for unperformed contracts.