AUDIT RISK ALERT # 53

DATE: July 27, 2023

**SUBJECT:** Calculation of “Revenues and Other Sources” for Determining the Type of Report Local Auditees are Required to Provide to the LLA

**Summary**

For purposes of determining which type of report local auditees are required to provide to the Louisiana Legislative Auditor (LLA) in compliance with [R.S. 24:513(J)(1)(c)](https://legis.la.gov/Legis/Law.aspx?d=84127), “revenues and other sources” should be calculated using the economic resources measurement focus and accrual basis of accounting for all fund types.

**Report Type**

The following chart shows the type of report which local auditees are required to provide to the LLA.



**Audit Law Requirement**

R.S. 24:513(J)(1)(c) states, in part

*Any local auditee that receives seventy-five thousand dollars or less* ***in revenues and other sources***(emphasis added) *in any one fiscal year . . . shall annually file with the legislative auditor sworn financial statements . . . .*

*Any local auditee that receives more than seventy-five thousand dollars* ***in revenues and other sources***(emphasis added) *in any one fiscal year, but less than two hundred thousand dollars, shall cause to be conducted an annual compilation of its financial statements, with or without notes.*

*Any local auditee that receives two hundred thousand dollars or more* ***in revenues and other sources***(emphasis added) *in any one fiscal year, but less than five hundred thousand dollars, shall cause to be conducted an annual review of its financial statements to be accompanied by an attestation report . . . .*

*Any local auditee that receives five hundred thousand dollars or more* ***in revenues and other sources***(emphasis added) *in any one fiscal year shall be audited annually.*

**Definition of “Revenues and Other Sources”**

Generally accepted accounting principles (GAAP) prescribes the use of the economic resources measurement focus for governmental fund types reported in the government-wide Statement of Activities, and for proprietary and fiduciary fund types[[1]](#footnote-1). **For purposes of determining which type of report local auditees are required to provide to the LLA, “revenues and other sources” should be calculated using the economic resources measurement focus and accrual basis of accounting for all fund types.**

This amount can be calculated by totaling the following amounts reported in the financial statements:



If you have any questions, please contact Diane Allison at [dallison@lla.la.gov](mailto:dallison@lla.la.gov) or (225) 339-3812.

**Question**

**Q.** To determine which type of report my local government is required to provide to the LLA, should I add up the revenues and other sources in all my funds to determine my total revenues and other sources?

**A**. No, since amounts reported in governmental funds in the Statement of Revenues, Expenditures, and Changes in Fund Balances are not reported using the economic resources measurement focus and accrual basis of accounting. Instead you should add (a) total program revenues and general revenues reported on your Statement of Activities for the primary government, which will include both governmental and business-type activities, and (b) total additions reported in the Statement of Changes in Fiduciary Net Position to determine which type of report your local government is required to provide to the LLA.

**Q.** [GASB 87](https://gasb.org/page/ShowDocument?path=GASBS87.pdf&acceptedDisclaimer=true&title=GASB+STATEMENT+NO.+87%2C+LEASES&Submit=), *Leases*, requires state and local governments to record the present value of future lease payments as an other financing source in the first year of a lease in the Statement of Revenues, Expenditures and Changes in Fund Balances for governmental fund types. Is this “other financing source” used in the calculation of “revenues and other sources” to determine which type of report should be provided to the LLA?

**A**. No. Under the economic resources measurement focus and accrual basis of accounting for governmental activities, an other financing source for the present value of future lease payments is not recognized, and thus is not recorded in the Statement of Activities. Instead, the lease liability and an intangible asset are reported in the Statement of Net Position.

**Q.** [GASB 96](https://gasb.org/page/ShowDocument?path=GASBS%252096.pdf&acceptedDisclaimer=true&title=GASB+STATEMENT+NO.+96%2C+SUBSCRIPTION-BASED+INFORMATION+TECHNOLOGY+ARRANGEMENTS&Submit=), *Subscription-Based Information Technology Arrangements,* requires state and local governments to record the present value of future subscription payments as an other financing source in the first year of a subscription-based IT arrangement in the Statement of Revenues, Expenditures and Changes in Fund Balances for governmental fund types. Is this “other financing source” used in the calculation of “revenues and other sources” to determine which type of report should be provided to the LLA?

**A**. No. Under the economic resources measurement focus and accrual basis of accounting for governmental activities, an other financing source for the present value of future subscription payments is not recognized, and thus is not recorded in the Statement of Activities. Instead, the subscription liability and a subscription asset are reported in the Statement of Net Position.

1. GASB Cod. Sec. 1600.103 [↑](#footnote-ref-1)