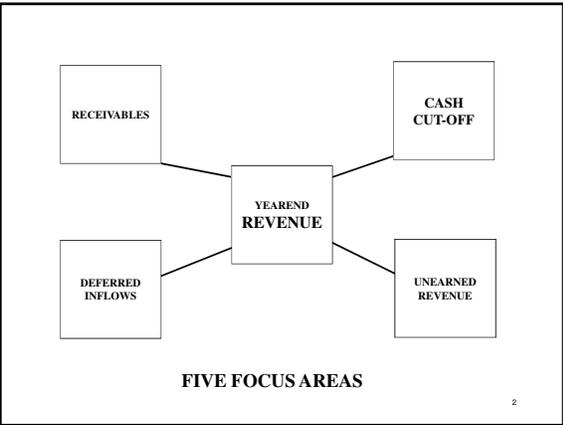


**Yearend Revenue &
Receivable Accounting**

Presenter: Gary Morris 801-538-3371 gmmorris@utah.gov

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Objectives

- Correctly cut-off cash between fiscal years.
- To understand the yearend accrual needs for receivables, deferred inflows, and unearned revenue.

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2014 Yearend Revenue & Receivable Training



State of Utah
Department of Administrative Services
Division of Finance

Fiscal Year 2014

Detailed Closing Instructions and Examples

DE

- General Information
- JVYE Closing for Accruals and Deferrals
- Revenue, Receivables, and Cash Cut-off
- Deferred Inflows and Unearned Revenues

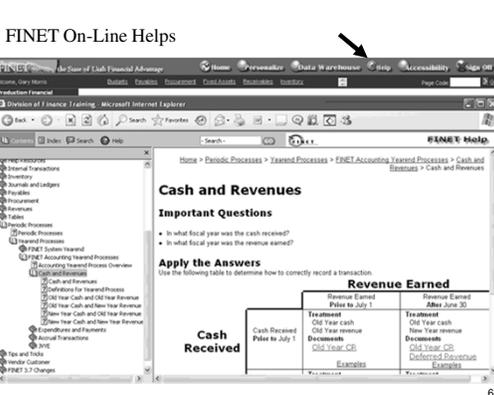
4



www.finance.utah.gov > Financial Reporting section (under "Section Navigator") > Meeting Recordings and Handouts > Budget and Accounting Officer Mtg Handouts > June 2014 > Detail Closing Instructions and Examples

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FINET On-Line Helps



Cash and Revenues

Important Questions

- In what fiscal year was the cash received?
- In what fiscal year was the revenue earned?

Apply the Answers

Use the following table to determine how to correctly record a transaction.

	Revenue Earned Prior to July 1		Revenue Earned After June 30	
	Treatment	Debit/Credit	Treatment	Debit/Credit
Cash Received Prior to July 1	Old Year cash	Debit	Old Year cash	Debit
	Old Year revenue	Credit	New Year revenue	Credit
	Old Year CR	Debit	Old Year CR	Debit
	Examples		Deferred Revenue	Examples

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TOP-NOTES

- **It is essential that cash be recorded in the correct fiscal year.** During closeout, FINET requires entry of fiscal year and accounting period.
- Agency **closing schedules are not considered complete until yearend bank reconciliations** are received with **no yearend** reconciling items (due to the Division of Finance on July 18, 2014). (See Policies and Procedures FIACCT 19.01.01(6))

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TOP-NOTES

- **Old Year CRs** - record as soon as possible but no later than **July 18, 2014**.
- **Old Year REs** - process or modify through **August 1, 2014**.
- **Old Year WOs** – will not process after July period 12 close in old year (pending or new WOs need to be New Year).

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“ CASH ”

“ EARNED REVENUE ”

“ RECEIVABLES ”

“ DEFERRED INFLOWS ”

“ UNEARNED REVENUE ”

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CASH CUTOFF

CASH

- **Payments by currency, checks, or electronic transactions including credit or debit cards, electronic funds transfer, or any type of electronic payment.**

(See p. 11 in the Detailed Closing Instructions & Examples) 10

CASH CUTOFF

Old Year Cash

- **Received by an agency on or before the end of the day on June 30**
- **Regardless of when deposited in the bank**
- **Includes receipts in satellite offices or by personnel out in the field.**
- **For electronic transactions, transaction processed by your agency or on your agency's website.**

New Year Cash

- **Received on or after July 1**

It is essential that cash be recorded in the correct fiscal year.

(See p. 11 in the Detailed Closing Instructions & Examples) 11

REVENUES

EARNED REVENUE

When revenue is "earned" and recorded depends on the type of revenue

AND

any future timing constraints

(See p. 11&19 in the Detailed Closing Instructions & Examples) 12

REVENUES

“Earned” Revenue
Exchange Transactions

Examples are licensing fees, inspection fees, and sales of publications.

Revenue is earned when the goods or services have been provided or license has been issued.

(See p. 11 in the Detailed Closing Instructions & Examples)

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REVENUES

“Earned” Revenue
Taxes on earnings or consumption

Examples are sales taxes, personal and corporate income taxes, and motor fuel taxes.

Revenue is earned when the underlying transaction takes place, such as when the income is earned or when the underlying goods or services are received or provided.

(See p. 11 of the Detailed Closing Instructions & Examples)

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REVENUES

“Earned” Revenue
Imposed Revenues

Examples are fines and forfeitures.

Revenue is earned when an enforceable legal claim exists **AND** the time frame when the revenue may be used has begun.

(See p. 11 of the Detailed Closing Instructions & Examples)

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REVENUES

“Earned” Revenue
**Federal grants, other grants, and
donations**

Revenue is earned when all stipulations and eligibility requirements made by the grantor or donor have been met **AND** the time frame of when the revenue may be used has begun.

(See p. 11 of the Detailed Closing Instructions & Examples) 16

REVENUES

Old Year Revenue
Revenue **“earned”** by the end of the day on June 30, **regardless** of when the cash is received.

New Year Revenue
Revenue **“earned”** on or after July 1, **regardless** of when the cash is received.

(See p. 11 in the Detailed Closing Instructions & Examples) 17

RECEIVABLES

RECEIVABLES

“Receivables are recorded when the State has rights to an asset that has not been received.”

“As a general rule, the recognition of receivables is tied to the recognition of revenue.”

(FIACCT 06-00.01) 18

DEFERRED INFLOW rather than Revenue

Three types (all related to a future time constraint):

1) Revenue NOT considered "available" to cover current year expenditures:

- **Applies to revenue in Governmental funds**
(General fund & Special Revenue funds including restricted funds, Expendable Special Revenue funds, Capital Project funds, debt service funds, and permanent funds)

"Available" means:

- **Non-federal revenues** are collected or expected to be collected generally within **45 days** of yearend.
- **Federal revenues** are collected or expected to be collected within **12 months** of yearend.

(See p. 19&20 in the Detailed Closing Instructions & Examples)

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DEFERRED INFLOW rather than Revenue

Three types (all related to a future time constraint):

2) Certain Imposed Revenue Transactions (e.g., fines, forfeitures)

The imposed revenue has future a time requirement that stipulates **WHEN** revenue is require to be used or when use is first permitted.

3) Certain Government-Mandated or Voluntary Transactions (e.g., federal revenue, donations)

The mandated or voluntary revenue is received **BEFORE** time requirements are met, but after all other eligibility requirements have been met.

Record a deferred inflow using the Deferred Inflow Reclassification closing JVYE (form FI-61 DIR)

(See p. 19&20 in the Detailed Closing Instructions & Examples)

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UNEARNED REVENUE

Unearned Revenue

Monies or assets have been received by the State **BEFORE:**

- 1) Goods or services have been provided OR
- 2) Before there is an enforceable legal claim OR
- 3) Before all eligibility requirements are met unless the only requirement not met is a time requirement.

Record unearned revenue using the Unearned Revenue closing JVYE (form FI-61UR)

(See p. 20 in the Detailed Closing Instructions & Examples)

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Reminders & Guidelines for the Close Out Process

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REVENUES, RECEIVABLES, and CASH CUTOFF

Receivable and Cash Receipt Policies

- The regular Federal cash management transaction dates apply at yearend:
 - If the RE is to a federal customer using a federal revenue code, the **transaction date** should be the date the funds were requested.
 - The **transaction date** on CR that references the RE should be the date the funds were received.

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REVENUES, RECEIVABLES, and CASH CUTOFF

Old year CR, new year NSF – The yearend process is different:

If amount is less than \$20,000:

- In **new year**, process a **negative CR** to correct cash in **new year**.
- In **new year**, process an RE for the amount of the NSF plus the NSF service charge.

Why? Minimize changes to old year FINET cash balance.

If amount is \$20,000 or more – contact Gary Morris (801-538-3371).

(Use the normal NSF process if CR and NSF occur in the same year.)²⁴

2014 Yearend Revenue & Receivable Training

REVENUES, RECEIVABLES, and CASH CUTOFF

Receivable Policies

- At yearend only, for old year revenue that has been **earned, but cannot yet be billed** or for a new year CR or RE that **includes both old and new year revenue**
- Record the old year revenue on a JVYE document entered from an "Accounts Receivable" form (FI-61AR).

(See Detailed Closing Instructions & Examples p. 15) 25

CASH RECEIVED FOR UNEARNED REVENUE

- **All cash received by June 30 should be recorded in FINET as Old Year Cash.**
- If this cash includes New Year revenue, record this unearned revenue on a JVYE document entered from a "Unearned Revenue" form (FI-61UR).

(See p. 22 in the Detailed Closing Instructions & Examples) 26

PLEASE NOTE

Training for creating and entering a yearend JVYE type transaction is taught in a separate session

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Examples

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REVENUES, RECEIVABLES, and CASH CUTOFF

- **Important Questions**
 - In what fiscal year was the cash received?
 - In what fiscal year was the revenue earned?
- **Applying the Answers...**

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Important Questions:

- **In what fiscal year was the cash received?**
- **In what fiscal year was the revenue earned?**

- An agency earns federal revenue on June 25. Because of the federal customer's billing requirements, a "draw down" request could not be made until June 30. The federal funds are received July 1.

(See p. 14 in the Detailed Closing Instructions & Examples)

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2014 Yearend Revenue & Receivable
Training

- Revenue earned Old Year. Record the revenue on an **Old Year** RE document with a transaction date of June 30 (**the date the federal funds were requested**).
- Payment received **New Year (July 1)**. Process a **New Year** CR document that references the RE with a transaction date of July 1 (**the date the federal funds were received**).

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- Important Questions:**
- **In what fiscal year was the cash received?**
 - **In what fiscal year was the revenue earned?**
- Labor Commission inspects a company's boiler on June 1. On June 29, the payment of \$250 is received and deposited. After 2 attempts at processing the check, the bank returns it as non-sufficient funds on July 7.

(See p. 15 in the Detailed Closing Instructions & Examples)

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- Key:** Old year CR (cash received June 29) but new year NSF
- Only at yearend** and NSF for less than \$20,000:
- **In new year**, process a **new negative CR** to correct cash in **new year**.
 - **In new year**, process a **new RE** for the amount of the NSF plus the NSF service charge.

(Use the normal NSF process if CR and NSF occur in the same year.)

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2014 Yearend Revenue & Receivable
Training

Important Questions:

- In what fiscal year was the cash received?
- In what fiscal year was the revenue earned?

Human Services bills on July 9 a customer for services that occurred between June 29 thru July 8. The customer pays the full amount on July 16.

New year cash BUT revenue earned in both years.

Use the "Accounts Receivable" form (FI-61AR) to accrue the old year (June 29 -30) portion of the billed revenue.

(See p. 14 in the Detailed Closing Instructions & Examples)

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Important Questions:

- In what fiscal year was the cash received?
- In what fiscal year was the revenue earned?

Natural Resources receives payments during June of \$25,000 for camping reservations for the week of July 4.

(See p. 22 in the Detailed Closing Instructions and Examples)

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- **Old Year Cash**
- **Revenue is earned new year** when the goods or services are provided (July 4).
- This is an unearned revenue
- Record this deferred revenue at yearend on a JVYE document entered from a "Unearned Revenue" form (FI-61UR).

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Deferred Inflow example:

- Until yearend costs are accurately determined, an agency can't bill a non-Federal customer. When billed, it is recorded into the General Fund. The agency bills in late July and records old year revenue. With a late July billing, the agency expects collection at the end of August or early September (more than 45 days after yearend).
- This revenue should be recorded as a deferred inflow using the Deferred Inflow Reclassification closing JVYE (form FI-61 DIR)
- Contact Gary Morris at 801-538-3371 with questions.

(See p. 20&21 in the Detailed Closing Instructions & Examples)

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RE Exempt Agencies

- Summarize and record receivables and earned revenues as of June 30.
- Reconcile FINET to your receivable accounting system.
- Record old year receivable activity on an old year IDT.
- Record allowance for doubtful accounts as needed.
- Coordinate write-offs with OSDC.
- Use the same JVYE forms at yearend

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FINET Help Desk
801-538-9690

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In conclusion . . . Important points

- **It is essential that cash be recorded in the correct fiscal year.** During closeout, FINET requires entry of fiscal year and accounting period.
- **Agency closing schedules are not considered complete until yearend bank reconciliations** are received with **no yearend** reconciling items.
(See Policies and Procedures FIACCT 19.01.01(6))
- Recording deferred inflows and unearned revenue is new and replaces the old yearend "deferred revenue".

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Questions



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Yearend Revenue & Receivable
Accounting

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