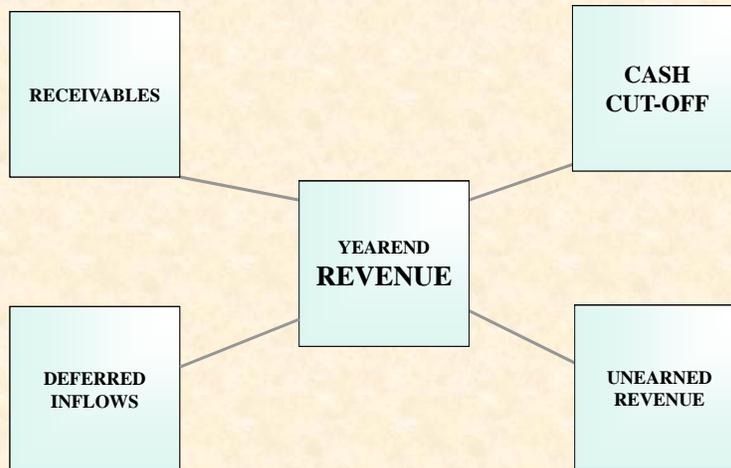


Yearend Revenue & Receivable Accounting

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

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FIVE FOCUS AREAS

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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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State of Utah
Department of Administrative Services
Division of Finance

Fiscal Year 2015

Detailed Closing Instructions and Examples

≡

General Information

JVYE Closing for Accruals and Deferrals

→ Revenue, Receivables, and Cash Cut-off

→ Deferred Inflows and Unearned Revenues

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2015 Yearend Revenue & Receivable Training

UTAH DEPARTMENT OF ADMINISTRATIVE SERVICES
DIVISION OF FINANCE

ABOUT ADMINISTRATIVE SERVICES | DAS EMPLOYEES

DAS HOME | ARCHIVES | FACILITIES | FINANCE | FLEET | GENERAL SERVICES | PURCHASING | RISK | RULES

FINANCIAL REPORTING

FINANCE HOME
STAFF DIRECTORY
FINANCE DIVISION ORGANIZATIONAL CHART

FINANCIAL REPORTING QUICK LINKS

FINANCIAL REPORTING HOME
ACCOUNTING POLICIES AND PROCEDURES
CAFR
CHART OF ACCOUNTS
FEDERAL FINDING ACCOUNTABILITY AND TRANSPARENCY
ACT REPORTING (FFATA)
FEDERAL OMB CIRCULAR A-133 SINGLE AUDIT
FEDERAL RECEIPTS REPORTING
FINANCIAL HIGHLIGHTS BY FISCAL YEAR
FISCAL YEAREND TRAINING
INTERNAL CONTROL
OMB "SUPER CIRCULAR"
PCI - CREDIT CARD COMPLIANCE
STATE BOND DOCUMENTS
WHO TO CALL

MEETING RECORDINGS AND HANDOUTS

ACT MEETING HANDOUTS
ACT MEETING RECORDINGS
BUDGET & ACCOUNTING OFFICERS MTG HANDOUTS
BUDGET & ACCOUNTING OFFICERS MTG RECORDINGS

www.finance.utah.gov >
Financial Reporting section
(under "Section Navigator")
> *Meeting Recordings and Handouts* > *Budget and Accounting Officer Mtg Handouts* > *June 2015 > Detail Closing Instructions and Examples*

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FINET On-Line Helps

Home > Periodic Processes > Year End Processes > FINET Accounting Yearend Processes > Cash and Revenues

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.

Cash Received	Revenue Earned	
	Revenue Earned Prior to July 1	Revenue Earned After June 30
Cash Received Prior to July 1	Treatment Old Year cash Old Year revenue Documents Old Year CR	Treatment Old Year cash New Year revenue Documents Old Year CR AND

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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 17, 2015). (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 17, 2015**.
- **Old Year REs** - process or modify through **August 3, 2015**.
- **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. 10 in the Detailed Closing Instructions & Examples)

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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. 10 in the Detailed Closing Instructions & Examples)

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REVENUES

EARNED REVENUE

When revenue is “earned” and recorded depends on

the type of revenue

AND

any future timing constraints

(See p. 10 &19 in the Detailed Closing Instructions & Examples)

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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. 10 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. 10 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. 10 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. 10 of the Detailed Closing Instructions & Examples)

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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. 10 in the Detailed Closing Instructions & Examples)

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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)

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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. 18 &19 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 JVYE (form FI-61 DIR)

(See p. 18 - 19 in the Detailed Closing Instructions & Examples)

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FI-61DIR DEFERRED INFLOW RECLASSIFICATION — Closing Old Year
(available after 45 days / not meeting time requirements)

FY 1X
06/200X
Division of Finance

Department Name: DAS
Division: Finance
Dept. Control Number: _____

JVYE 100 XDIR _____
Department ADNT Prsk: _____
Debit Amount: 3,806.00 Credit Amount: 3,806.00

Header
Budget FY: 201X Fiscal Year: 201X Period: 13 Reversal Date: 7/7/201X
*** Required *** Alter Anticipated Approval Date

Line Group
Event Type: GA32 Line Group Description - max 60 (Optional): _____

Accounting
Balance Sheet Closing Entry Posting Code: A015

Line	Posting Code	Fund	Department	Unit	Appr Unit	Object	Sub Object	Revenue	BSA	Dept Revenue	Activity	Function	Program	Phase	Debit Amount	Credit Amount
01	A015	1000	100	0470	FHF			2811	6455							3,806.00
BSA 6455																

Revenue Accounts — Deferred Inflow Posting Code: R003
(available after 45 days / not meeting time requirements)

Line	Posting Code	Fund	Department	Unit	Appr Unit	Object	Sub Object	Revenue	BSA	Dept Revenue	Activity	Function	Program	Phase	Debit Amount	Credit Amount
02	R003	1000	100	0470	FHF			2811							3,806.00	
03	R003															
04	R003															
05	R003															

Approved: _____ Entered By: _____

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

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)

2015 Yearend Revenue & Receivable
Training

FI-61UR **UNEARNED REVENUE — Closing Old Year**

FY 1X
092014
Division of Finance

Department Name: _____
Division: _____
Dept. Control Number: _____

JVYE 1 0 0 XUR
Department: _____
Debit Amount: 3,886.00
Credit Amount: 3,886.00

Header
Budget FY: 201X Fiscal Year: 201X Period: 13 Reversal Date: 7/8/201X
*** Required *** After Anticipated Approval Date

Line Group
Event Type: GA32 Line Group Description - as of (Optional): _____

Accounting
Balance Sheet Closing Entry Posting Code: A015

Line	Posting Code	Fund	Department	Unit	Appr Unit	Objct	Sub Objct	Revenue	BSA	Dept Revenue	Activity	Function	Program	Phase	Debit Amount	Credit Amount
01	A015	1000	100	0470	F11F			2911	0500							3,886.00
FY 1X Accounting Services - Received payment in FY																
BSA 6500																

Revenue Accounts — Unearned Posting Code: R003

Line	Posting Code	Fund	Department	Unit	Appr Unit	Objct	Sub Objct	Revenue	BSA	Dept Revenue	Activity	Function	Program	Phase	Debit Amount	Credit Amount
02	R003	1000	100	0470	F11F			2911							3,886.00	
FY 1X Accounting Services - Received payment in FY 0X CK 100 XJ000000100																
03	R003															
04	R003															
05	R003															
06	R003															

Approval: _____ Date: _____ Entered By: _____ Date: _____

(See p. 21 in the Detailed Closing Instructions & Examples) 23

Reminders & Guidelines for the Close Out Process

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.)²⁶

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)

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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)

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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. 12-14 in the Detailed Closing Instructions & Examples)

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- 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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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.

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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. 21 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).

(See p. 19 & 21 in the Detailed Closing Instructions & Examples)

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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. 19 & 20 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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Questions



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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))

Please use the correct yearend closing form for:

- Deferred inflows Form FI-61DIR
- Unearned revenue Form FI-61UR
- Phone/email Gary Morris 801-538-3371; gmorris@utah.gov

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