

STATE OF OKLAHOMA
OFFICE OF MANAGEMENT AND ENTERPRISE SERVICES
GAAP CONVERSION MANUAL

C. ACCOUNTS RECEIVABLE/UNAVAILABLE/UNEARNED REVENUE CONVERSION PACKAGE June 2022

I. PURPOSE AND OBJECTIVES

The ACFR reports all revenues for the fiscal year ended on June 30, and the related balance sheet accounts. All revenues are accounted for on the cash basis by OMES. The purpose of this conversion package is to account for certain revenues that are subject to accrual and will be reported as either accounts receivable, allowance for uncollectible accounts, or unavailable revenue.

II. AGENCY ACTION REQUIRED

- A. Carefully read the key terms in Part III.
- B. The Accounts Receivable / Unavailable / Unearned Revenue Summary form should reflect amounts at close of business on June 30.
- C. Round all dollar amounts to the nearest whole dollar.
- D. All working papers are subject to audit by the State Auditor & Inspector (SA&I). The agency is required to keep a copy of the completed summary form and all associated working papers for three years after the completion of the SA&I audit.
- E. The person who completes and signs the summary form should keep a copy. OMES will contact this person if there are any questions.
- F. If needed, call your agency's financial reporting analyst for guidance.
- G. Return the completed summary form to your OMES financial reporting analyst by e-mail no **later than the due date shown on the form**. **If you can return it earlier, please do so.**
- H. If the summary form does not apply to your agency, check the box in the upper left portion of the summary, complete item (2) and return it to OMES.

III. KEY TERMS

- A. Revenues - For purposes of this package, revenues include all types of revenue from non-state parties that will not be reported by other means, such as other specific revenue conversion packages or another state agency. Therefore, miscellaneous revenues reported in this conversion package do NOT include:
 - * Tax revenues
 - * Bond/note proceeds
 - * State appropriations
 - * Federal grant/entitlement revenues
 - * Refund proceeds
 - * Interest and other investment income
 - * Other revenue received from another state agency or another state fund

Further, revenues from many licenses are not subject to accrual because the time of actual payment often immediately precedes the license period.

- B. Measurable - Revenue is measurable if:
- * The exact amount is known (the transaction is complete), or
 - * There is enough information to estimate the revenue that will be received.
- C. Available - Revenue is available if it is collectible by June 30, or soon enough thereafter to pay liabilities incurred on or before June 30. Generally, accounts receivable collected and deposited into an agency's continuing fund may be used to pay liabilities which exist at June 30.
- D. Basis of Accounting - The basis of accounting determines when to recognize revenues and expenditures in the financial statements.
1. Cash Basis - The cash basis recognizes revenue when the cash is received and recognizes expenditures when the cash is disbursed. The OMES records reflect transactions on the cash basis of accounting.
 2. Modified Accrual Basis - The modified accrual basis of accounting applies to governmental fund types and requires revenues to be recorded in the fiscal year in which they are measurable and available (see definitions B. and C. above), regardless of when the payment is received.
- E. Accounts Receivable - Accounts receivable are amounts that are measurable and due to your agency from parties outside state government at June 30. As of June 30, you either:
- * Have billed these non-state parties and not yet collected the related cash, or
 - * Know that these parties owe you money even though you have not yet billed them.

Accounts Receivable does not include amounts billed to parties prior to July 1 for licenses effective for a period beginning after June 30.

- F. Allowance for Uncollectible Accounts Receivable - GAAP requires that the state report an allowance for uncollectible accounts receivable if a portion of the receivable is not expected to be collected. The financial statements show gross accounts receivable less the allowance.
- G. Unavailable Revenue - Unavailable revenue is a liability account which arises when a accounts receivable are recorded but are not collected within 60 days.
- Unavailable Revenue is not recognized for a licensing fee received before the licensing period as long as the license period begins on or before August 31.
- H. Unearned Revenue - Unearned revenue is a liability account which arises when an asset (cash or accounts receivable) has been collected or recorded while the revenue recognition criteria have not been met. GAAP requires unearned revenue to be reported at June 30 if your agency:
- * Has collected revenue in advance of the fiscal year end to which it does not apply, or
 - * Has accounts receivable that do not apply to the current fiscal year (See Definition C. above).

Licensing fees received at June 30 for a license period beginning after August 31 would be considered unearned revenue.

IV. SPECIFIC INSTRUCTIONS

- A. Preparation of the Data - Prior to completing the summary, it is necessary to identify and sum your agency's revenues that are subject to accrual at June 30. Specific revenue classifications and associated revenue receipt code series by major class (first digit) or sub-class (three digits) are:

<u>Revenue Account Titles</u>	<u>Revenue Account Code Series</u>
Licenses, permits and fees	420000
Fines, forfeits and penalties	430000
Charges for sales and services	470000
Other revenues	443100, 444100, 445100, 451100 454100, 456100, 458100, and 481100

Calculate or estimate the amount of cash that has been collected or reported, or will be collected or reported, for each type of revenue for any year(s) subsequent to this fiscal year to determine the amount of deferred revenue.

- B. Completing the Accounts Receivable / Unavailable / Unearned Revenue Summary Form
1. Enter the agency ACFR code, name, and funds/accounts to be included on the summary.
 2. Provide the name, title, phone number and date for each person who completes and approves this summary form. The finance officer or executive director should approve and sign the form before sending it to OMES. Keep a copy of the form. When submitting the form via email it should come from the address of the approving officer. This will act as an implicit electronic signature verifying the form has been reviewed for validity, accuracy, and completeness.
 3. Enter the total accounts receivable due at June 30 for each type of revenue listed.
 4. Enter the amount of each receivable that is considered uncollectible for each type of revenue. You may wish to estimate this amount on historical data. That is:
 - * Gather historical data on revenue collectibility, and
 - * Evaluate the collectibility of accounts receivable at June 30 based on the historical data.
 5. Enter the net receivable - line (3) minus line (4).
 6. Enter the amount in (5) that was collected within 60 days - by August 31.
 7. Enter the amount in (5) that was not collected within 60 days - line (5) minus line (6).
 8. Enter the unearned revenue at June 30 by type of revenue for amounts collected in advance of the fiscal year end to which it applies.
 9. Provide comments or explanations as needed for any unusual items or circumstances.
- C. Working Papers - The agency should keep any documents that support data on the summary. For example, agencies should thoroughly document:
- * The source(s) of data for each amount.
 - * Procedures used to gather the data.
 - * Methods or judgments used to arrive at estimations.