

OFFICE OF ACCOUNTS AND CONTROL

**SECTION**  
**Accounting**

**POLICY/PROCEDURE NUMBER**  
**A-61**

**SUBSECTION**

**EFFECTIVE DATE / PAGE NUMBER**  
**January 23, 2014/ 1 of 2**

**POLICY / PROCEDURE**

**AMENDMENT / REVISION**

**Cash Receipts Cut-Off and Revenue Recognition at  
Fiscal Year-End**

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**Revenue Recognition Policy**

The State recognizes revenue in its financial statements on the modified accrual basis. Revenues and related receivables are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period (i.e., earned and collected within the next 12 months) or soon enough thereafter to pay liabilities of the current period.

In the latter part of July of each year at a date established in the fiscal closing time table issued by the Office of Accounts & Control, departments and agencies can submit requests to establish accounts receivable for material revenues related to the old fiscal year where the cash is not actually received until the new fiscal year. It is the responsibility of each department or agency to maintain subsidiary ledgers and other appropriate supporting documentation for such receivables.

**Cash Receipts Cut-off at Year End**

In order for a cash deposit to be recorded as revenue of a particular fiscal year, it **must** be deposited in a State bank account on or before the last business day of that fiscal year. The effective date of the related journal entry must be the date the deposit was physically made. The State Treasurer's Office will not process any old year cash receipts journal entries that relate to deposits that are posted by the bank after June 30.

Exceptions are made in the case of funds received by both the Division of Motor Vehicles and the Division of Taxation on the last business day of a fiscal year. Because these funds are always material in amount

State of Rhode Island  
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and relate to the old fiscal year, these monies are consistently recorded as old year revenues even if they are deposited on the first business day of the new fiscal year. The effective date of the journal entry in such cases must be the date the monies were physically received by the State agency in question.

**Recognition of Federal Revenue Receivables at Year End**

In August of each year after the June accounting period has been closed and all significant old fiscal year activity has been recorded, the Office of Accounts & Control performs an analysis of the balances of all Federal accounts within the general fund. The Federal accounts are grouped by CFDA number and if, in the aggregate for a particular CFDA number, the accounts reflect a "red" balance, a federal receivable is established. Conversely, if in the aggregate the accounts reflect a "black" balance, that amount is recorded as unearned revenue.

It is important that departments and agencies carefully review all activity in Federal appropriation accounts before the June period is closed to ensure only expenses permissible under the terms of each Federal grant are recorded in the respective account. In addition, if expenditures are recorded in any Federal account that exceed the amount allowed under the Federal award, they must be transferred to one of the agency's general revenue appropriation accounts before the June period is closed.

Refer to the separate procedure concerning the preparation of the Federal Grant Information Schedule.