



County of Santa Clara

Policy Name: Revenue

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Policy Type: Administrative

Category: Fiscal and Budget

Policy Name: Revenue Accounting Requirements and Responsibilities Policy

Policy Owner: Controller-Treasurer Department

Policy Purpose

The purpose of this policy is to establish countywide revenue accounting requirements and responsibilities.

Policy Summary

Revenues are increases in the net assets of an organization during a period that result from activities such as levying and collecting taxes, receiving funds under Federal and State grants, investing, and charging for providing services to the public. County Agencies and Departments that generate and receive such revenues must ensure that revenues are properly budgeted, collected, and recorded within the County's accounting system.

Budgeting of Revenues

Prior to the start of each fiscal year, County Agencies and Departments must estimate the amount of revenues that are expected to be collected for the following fiscal year. County Agencies and Departments must work with the Office of Budget and Analysis to ensure that these budget amounts are recorded in the County's accounting system.



Collection of Revenues

Throughout the fiscal year, County Agencies and Departments must ensure that revenues are collected. This may entail preparation of invoices or billings to customers, fulfillment of grant obligations, and/or charging customers at point of sale for performance of services.

Recording Revenues

Besides collections, revenues must be recorded in the County's accounting system based on the following:

Modified Accrual Basis of Accounting

For governmental funds (General Fund, Special Revenue, Capital Projects, Debt Service, and Permanent Endowments), revenue is recognized under the modified accrual basis of accounting. Under this basis, revenues are recognized in the period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" is defined as being received within 60 days of fiscal year-end for property taxes and 120 days for all other revenues (with the exception of license fees, permit fees, fines, forfeitures, and penalties, which are not considered "susceptible to accrual" under the modified accrual basis and are recorded as revenues when received). Revenues not considered available are recorded as deferred inflows of resources. These amounts are deferred and recognized as revenues in the period the amounts become available.

Accrual Basis of Accounting

For proprietary funds (Enterprise and Internal Service Funds) revenues are recognized under the accrual basis of accounting. Under this basis,



revenues are recognized when earned without constraints such as exist with the modified accrual basis of accounting.

County Agency and Department Responsibilities

Every **County Agency and Department** that generates and/or receives revenues is responsible for the following activities:

- Budgeting – Set up revenue budgets based on projected income.
- Projections – Prepare periodic projections of revenue and analyze significant variances from budgeted revenue.
- Collection – Closely track revenue sources and ensure timely receipt from third parties. This includes monitoring past due receivables and following up on those that are more than 60 days outstanding.
- Recording – Accurately record revenues to appropriate revenue accounts in a timely manner. This includes ensuring that proper amounts of revenue are accrued at year-end.
- Monitoring – Monitor revenue collected compared to budget and determine reasons for significant variances.
- Reporting – Provide revenue data requested by the Controller-Treasurer Department and the County Executive's Office of Budget and Analysis.



Controller-Treasurer Department Responsibilities

The **Controller-Treasurer Department General Accounting Unit [Reporting Section]** is responsible for the following activities related to County revenues:

- Monitoring – Monitor revenue periodically during the year and at year-end and work with departments to ensure revenue accruals are appropriate.
- Analysis – Perform analysis to compare current versus prior year revenue and work with operating departments to understand significant variances. The Controller-Treasurer or designee establishes a threshold above which variances will require explanation for financial reporting purposes. When a change to the threshold is made it will be communicated to the fiscal staff in operating departments.
- Reporting – Accurate reporting of revenues in the County's Comprehensive Annual Financial Report (CAFR).

County Executive's Office of Budget and Analysis (OBA) Responsibilities

OBA shall provide budgetary coordination to County departments for revenues. This includes reviewing the budgetary impact of revenue estimates and collections and consolidating budgeted and actual revenues into the County's budget.

Definitions

For the purposes of this policy, the following definitions apply:



- 1) **“Accrual Basis of Accounting”** means an accounting method that recognizes the financial effect of transactions, events, and interfund activities when they occur, regardless of the timing of related cash flows.
- 2) **“County’s accounting system”** means the SAP system or other similar system used by the County as its primary accounting and finance system.
- 3) **“Modified Accrual Basis of Accounting”** is an accounting method commonly used by government agencies. Modified accrual accounting recognizes revenues when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means that revenues are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Under this method, expenditures are generally recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded when payment is due.

Frequently Asked Questions

None.

Related Policies

- Revenue Policy – Board Policy 4.2 - <https://saecommon.sccgov.org/countypolicy/Board-Policy-4.2-Revenue-Policy.pdf>



Related Forms and Information

- CA Government Code Section 29040

https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=GOV§ionNum=29040

- Statement No. 33 of the Governmental Accounting Standards Board

<http://www.gasb.org/cs/BlobServer?blobkey=id&blobwhere=1175824063588&blobheader=application%2Fpdf&blobcol=urldata&blobtable=MungoBlobs>

- Interpretation No. 5 of the Governmental Accounting Standards Board

<http://www.gasb.org/cs/BlobServer?blobkey=id&blobnocache=true&blobwhere=1175824062598&blobheader=application/pdf&blobcol=urldata&blobtable=MungoBlobs>

Revision History

| Date | Changes Made |
|------------|--------------------------------|
| 1/14/2019 | Links Updated. (David Bruno) |
| 08/27/2018 | Policy Uploaded. (David Bruno) |
| 08/23/2018 | Policy Adopted. |