

Cindy L Keck/PV/EDC  
04/22/2008 07:07 AM

To Cynthia C Johnson/PV/EDC@TCP  
cc  
bcc  
Subject Fw: Agenda Item #31-April 22, 2008 BOS Meeting-Revenue Recognition

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Joe H Ham/PV/EDC  
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Subject Agenda Item #31-April 22, 2008 BOS Meeting-Revenue Recognition

April 22, 2008

**El Dorado County  
Board of Supervisors  
330 Fair Lane  
Placerville, CA 95667**

**Subject: Revenue Recognition Practices**

**Dear Board Members:**

**Recommendation:**

The Auditor-Controller recommends that the Board of Supervisors direct the Chief Administrative Officer to prepare the 2008-09 budget based on a 60-day revenue accrual policy to better match the County's revenue recognition with its cash flows.

**Reason for Recommendation:**

Generally accepted accounting principles related to revenue recognition are specified in National Council on Governmental Accounting (NCGA) Statement #1. NCGA Statement #1 states, "Revenues... are recognized in the accounting period in which they become susceptible to accrual-that is, when they become both measurable and available to finance expenditures of the fiscal period. "Available" means collectible within the current period

**or soon enough thereafter to be used to pay liabilities of the current period.”**

**Since the late 1980's it has been the County's practice to define "available" as revenue received within 180 days of the end of the fiscal year. In the spring and summer of 1994, when the County General Fund had a negative cash balance, there was a vigorous discussion regarding revenue recognition and on July 26, 1994, the Board of Supervisors directed that the County budget be prepared based on a 180-day accrual policy.**

**It is my opinion that recognizing revenue that is earned but has not been received within a 60-day period, with our current financial position and with our current financial relationship with the State of California is not prudent.**

**Sincerely,**

**Joe Harn  
Auditor-Controller**

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