

LEGISLATIVE AUDIT DIVISION

Angus Maciver, Legislative Auditor
Deborah F. Butler, Legal Counsel



Deputy Legislative Auditors:
Cindy Jorgenson
Joe Murray

MEMORANDUM

TO: Legislative Audit Committee
FROM: Cindy Jorgenson, Deputy Legislative Auditor, Financial-Compliance Audits
Karen Simpson, Audit Manager, Financial-Compliance Audits
DATE: June 15, 2020
RE: Proposed Changes to Agency Financial Schedule Format
ATTACHMENTS:

Background

The current format of the agency financial schedules was adopted by the Legislative Audit Committee in 1996. It is considered a regulatory basis special purpose framework. This framework is intended to provide legislators with information relevant to their decision making. As adopted, the format aligns the presentation of agency financial results with legislator information needs during the appropriations process.

Required Change–New Accounting Standard

The Governmental Accounting Standards Board (GASB) issued Statement Number 84 – Fiduciary Activities in January 2017. Under GASB 84, the agency fund type has been eliminated, and the custodial fund type has been created. Unlike agency funds, custodial funds will report revenues and expenditures in the agency financial schedules.

The State of Montana is implementing GASB 84 for fiscal year 2020. During the 2019 Legislative Session, several laws were modified in anticipation of the standard. Implementing this standard will require a change to the Schedule of Changes in Fund Equity. Continued inclusion of Property Held in Trust and its associated additions and reductions is no longer necessary or appropriate.

We are asking the Legislative Audit Committee to authorize us to exclude property held in trust activity from the Schedule of Changes in Fund Equity beginning in fiscal year 2020. See Attachment A for an illustration of the changes.

Proposed Change–Revenue Estimates

As part of the Legislative Audit Division’s Next 50 Strategy work, the Financial-Compliance audit team participated in a focus group consisting of legislators and agency personnel on the continued relevance of the information included the financial schedules. Based on input from the focus group and internal team discussions, we believe the presentation of revenue estimate activity in the Schedule of Total Revenues and Transfers-In no longer provides valuable information to legislators.

We are asking the Legislative Audit Committee to authorize us to exclude revenue estimate activity from the Schedule of Total Revenues and Transfers-In effective for the FY2020 audit cycle. See Attachment B for an illustration of this change.

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Attachment A

DEPARTMENT OF EXAMPLE
 SCHEDULE OF CHANGES IN FUND EQUITY & PROPERTY HELD IN TRUST
 FOR THE FISCAL YEAR ENDED JUNE 30, 20XX

 Required change impacts these items.

 Other items that will change under GASB 84.

Pre-GASB 84				
	General Fund	State Special Revenue Fund	Agency Fund	Private Purpose Trust Fund
FUND EQUITY: July 1, 20XX-1	\$ (14,600)	\$ 1,149,391	\$ 0	\$ 5,000,000
PROPERTY HELD IN TRUST: July 1, 20XX -1			\$ 17,500	
ADDITIONS				
Budgeted Revenues & Transfers-In	262,000	10,310,000		
Nonbudgeted Revenues & Transfers-In				65,000
Prior Year Revenues & Transfers-In Adjustments		(2,500)		
Direct Entries to Fund Equity	400,000			
Additions to Property Held in Trust			550,000	
Total Additions	662,000	10,307,500	550,000	65,000
REDUCTIONS				
Budgeted Expenditures & Transfers-Out	650,000	8,328,400		
Nonbudgeted Expenditures & Transfers-Out		461,500		20,000
Prior Year Expenditures & Transfers-Out Adjustments		4,500		
Reductions in Property Held in Trust			565,000	
Total Reductions	650,000	8,794,400	565,000	20,000
FUND EQUITY: June 30, 20XX	\$ (2,600)	\$ 2,662,491		\$ 5,045,000
PROPERTY HELD IN TRUST: June 30, 20XX			\$ 2,500	


This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-9.

Post-GASB 84				
	General Fund	State Special Revenue Fund	Custodial Fund	Private Purpose Trust Fund
FUND EQUITY: July 1, 20XX-1	\$ (14,600)	\$ 1,149,391	\$ 17,500	\$ 5,000,000
ADDITIONS				
Budgeted Revenues & Transfers-In	262,000	10,310,000		
Nonbudgeted Revenues & Transfers-In			550,000	65,000
Prior Year Revenues & Transfers-In Adjustments		(2,500)		
Direct Entries to Fund Equity	400,000			
Total Additions	662,000	10,307,500	550,000	65,000
REDUCTIONS				
Budgeted Expenditures & Transfers-Out	650,000	8,328,400		
Nonbudgeted Expenditures & Transfers-Out		461,500	565,000	20,000
Prior Year Expenditures & Transfers-Out Adjustments		4,500		
Total Reductions	650,000	8,794,400	565,000	20,000
FUND EQUITY: June 30, 20XX	\$ (2,600)	\$ 2,662,491	\$ 2,500	\$ 5,045,000

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Attachment B

DEPARTMENT OF EXAMPLE
SCHEDULE OF TOTAL REVENUES
FOR THE FISCAL YEAR ENDED JUNE 30, 20XX

 Proposed change impacts these items.

Pre-Revenue Estimate Removal				
	General Fund	State Special Revenue Fund	Private Purpose Trust Fund	Total
TOTAL REVENUES & TRANSFERS-IN BY CLASS				
Licenses and Permits	\$ 237,000	\$ 9,500,000		\$ 9,737,000
Charges for Services		800,000		800,000
Investment Earnings			20,000	20,000
Fines and Forfeits	25,000			25,000
Grants, Contracts, and Donations			\$ 45,000	45,000
Miscellaneous		7,500		7,500
Total Revenues & Transfers-In	262,000	10,307,500	65,000	10,634,500
Less: Nonbudgeted Revenues & Transfers-In			65,000	65,000
Prior Year Revenues & Transfers-In Adjustments		(2,500)		(2,500)
Actual Budgeted Revenues & Transfers-In	262,000	10,310,000	0	10,572,000
Estimated Revenues & Transfers-In	200,001	1,750,001	0	1,950,002
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ (61,999)	\$ (8,559,999)	\$ 0	\$ (8,621,998)
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS				
Licenses and Permits	\$ (86,997)	\$ (8,600,000)		\$ (8,686,997)
Charges for Services	0	47,500		47,500
Fines and Forfeits	24,999			24,999
Miscellaneous	(1)	(7,499)		(7,500)
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ (61,999)	\$ (8,559,999)	\$ 0	\$ (8,621,998)

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Post-Revenue Estimate Removal				
	General Fund	State Special Revenue Fund	Private Purpose Trust Fund	Total
TOTAL REVENUES & TRANSFERS-IN BY CLASS				
Licenses and Permits	\$ 237,000	\$ 9,500,000		\$ 9,737,000
Charges for Services		800,000		800,000
Investment Earnings			20,000	20,000
Fines and Forfeits	25,000			25,000
Grants, Contracts, and Donations			\$ 45,000	45,000
Miscellaneous		7,500		7,500
Total Revenues & Transfers-In	262,000	10,307,500	65,000	10,634,500
Less: Nonbudgeted Revenues & Transfers-In			65,000	65,000
Prior Year Revenues & Transfers-In Adjustments		(2,500)		(2,500)
Actual Budgeted Revenues & Transfers-In	262,000	10,310,000	0	10,572,000

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-9.